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Fragmented sector plays monopoly
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Is vaccination the answer?
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World Business Newspaper http://www.FT.com WEDNESDAY FEBRUARY 11 1998

WORLD NEWS

Annan cautions west against taking action to 'humiliate' Iraq

US defence secretary William Cohen denied the US was war-mongering against Iraq as Russia and China renewed opposition to force to break the deadlock over United Nations weapons inspections. UN secretary-general Kofi Annan cautioned the west against humiliating Iraq. Page 14; US hits back at Turkey, Page 5; War without end, Page 12

Yeltsin health fears
Russian president Boris Yeltsin gave an unsteady performance on the second day of a visit to Rome, fuelling concerns about the state of his health. Page 2

1,000 Algerians disappear
US-based Human Rights Watch said more than 1,000 Algerians had disappeared since 1992 after being arrested. Page 5

Troops enter Freetown
A Nigerian-led intervention force was reported to have fought its way into Sierra Leone's capital, Freetown, in an attempt to topple the ruling military junta. Page 5

Customs officers killed
Three German customs officers were killed in shootings on the Polish border and at the Swiss frontier. Page 3

35-hour week backed
The French National Assembly adopted the Socialist-led government's controversial law to introduce a 35-hour working week from 2000. Page 2

Liberal Jews in challenge
Divisions between Israel's Orthodox and liberal Jews sharpened when the liberal Reform and Conservative movements said they would appeal to the high court against the Orthodox Chief Rabbinate's monopoly of conversions to Judaism. Page 5

Congo urged to act
US special envoy Jesse Jackson said that Congo should lift a ban on political activity and set up independent courts if it wanted to normalise relations with the world. Page 5

Nigeria to cut civil service
Nigeria's military government said it would cut 30 per cent of its civil service with the loss of up to 250,000 jobs. Page 5

Utility vehicles 'bigger risk'
Large sports utility vehicles and pick-up trucks, popular in the US, are far more likely to cause death when involved in accidents with smaller vehicles, a study shows. Page 7

Hyundai seeks site ownership
Hyundai of Korea is pressing the UK government to give it immediate ownership of the site of its delayed semiconductor plant in Scotland to help it to complete the project. Page 8

Food poisoning increases
Intensive livestock production and excessive use of antibiotics have contributed to a rise in food poisoning, the UK Meat and Livestock Commission said. Page 8; Butchers angry, Page 14

Romanian poverty worsens
Many Romanians sank further into poverty last year as purchasing power dropped by 22.4 per cent, official figures show. Page 2

Italian businessman freed
Italian businessman Giuseppe Soffiantini, who was kidnapped 237 days ago, was released near Florence after his family paid a ransom of L5bn ($2.85m). Page 2

Resistance leader dies
Former French foreign minister Maurice Schumann, an influential figure in the second world war resistance movement, died aged 86.

BUSINESS NEWS

Retiring Shell chief declines non-executive directorship

Royal Dutch/Shell's controversial practice of routinely giving non-executive directorships to retiring top executives may be about to end, as the chairman of its top executive committee has decided not to join the board as a non-executive when he retires. Page 15

Assicurazioni Generali, the Italian insurer, confirmed it had sought authorisation to increase its stake in Banca Commerciale Italiana, the privatised commercial bank, from 5 per cent to 10 per cent. Page 20; Lex, Page 14

Nomura International, the European arm of the Japanese investment bank, unexpectedly withdrew from the £4bn ($6.7bn) battle for Energy Group of the UK, saying it could not justify bidding above the 765p offer from US utility PacifiCorp. Page 15

Banco Bilbao Vizcaya of Spain is to pay $166m to take full control of Poncebank in Puerto Rico, as it pursues $2bn of acquisitions in Latin America. Page 18

China has approved a further 18 companies for listing on its foreign currency stock markets in a move intended to show its eagerness to attract foreign investment and develop its markets for international investors. Page 18

Ukraine is today expected to issue the most expensive sovereign bond in recent memory in a move that has taken international capital markets by surprise. Page 2

Time Warner posted an 18 per cent increase to $1.65bn in cash flow for the closing quarter of 1997, overcoming a weak music market and a modest performance in US cinemas. Page 16

Greg Norman's golf estate development venture with Macquarie Bank of Australia is embarking on a big expansion. The Australian golfer is set to build over 45 golf estates in the US, Australia and Asia. Page 19

Skandinaviska Enskilda Banken of Sweden warned that the krona could be destabilised if the country's leading companies abandon the currency in favour of the euro. Page 3

South Korea's dissident trade unions rejected last week's hard-won agreement on labour reforms and threatened a general strike, causing the Seoul bourse to fall by 2.2 per cent to 541.77 points. Report and Lex, Page 14

Citibank of the US, has halted negotiations to buy First Bangkok City Bank, the Thai bank taken over by the government last week. Page 19

Halla, troubled South Korean conglomerate, plans to sell five subsidiaries and seek foreign investments in its shipbuilding and car parts businesses. Page 19

Deutsche Morgan Grenfell and Credit Suisse First Boston protested to the Polish government after it rejected their bid to arrange the initial public offering of the country's telephone company. Page 20

Reuters Holdings, the financial information company, intends to press ahead with the US launch of its new financial analysis product despite the inquiry into alleged illegal use of data from its US competitor Bloomberg. Page 15

Fresh Del Monte Produce, the banana producer, has reached an agreement on trade union rights in its Costa Rican plantations in a bid to end a European consumer campaign against the company. Page 4

US economy set to brush off effects of Asian crisis

Economists predict slower growth and lower inflation

By Gerard Baker in Washington

The US economy is set for continued growth with low inflation, brushing off any fallout from the Asian financial crisis, President Bill Clinton said yesterday.

In its annual report to congress, Mr Clinton's Council of Economic Advisers said the Asian effect might prove positive for the US – slowing growth from its rapid pace of last year, quelling inflationary pressures and heading off the need for higher interest rates.

The upbeat report helped boost US share prices, and the Dow Jones Industrial Average surged 112 points to 8,293 in late afternoon trading.

Underlining the remarkable economic performance that has helped give him the highest popular approval ratings of his presidency, Mr Clinton hailed the report. "Our economy is strong, our prosperity is deep, our prospects are bright," he said.

The country was on course to achieve "the longest peacetime expansion in the history of the United States".

Janet Yellen, chairman of the council, said the pace of growth would slow this year from the 3.9 per cent recorded in 1997, partly as a result of the Asian crisis.

But she said the economy would continue to create jobs and that inflation would remain low.

"I would not grant that the Asian situation would have any impact on employment at all," she added.

For the next few years the administration forecasts growth of about 2 per cent, with unemployment stable at just over 5 per cent. But Ms Yellen emphasised that these forecasts were deliberately cautious and said growth could be faster.

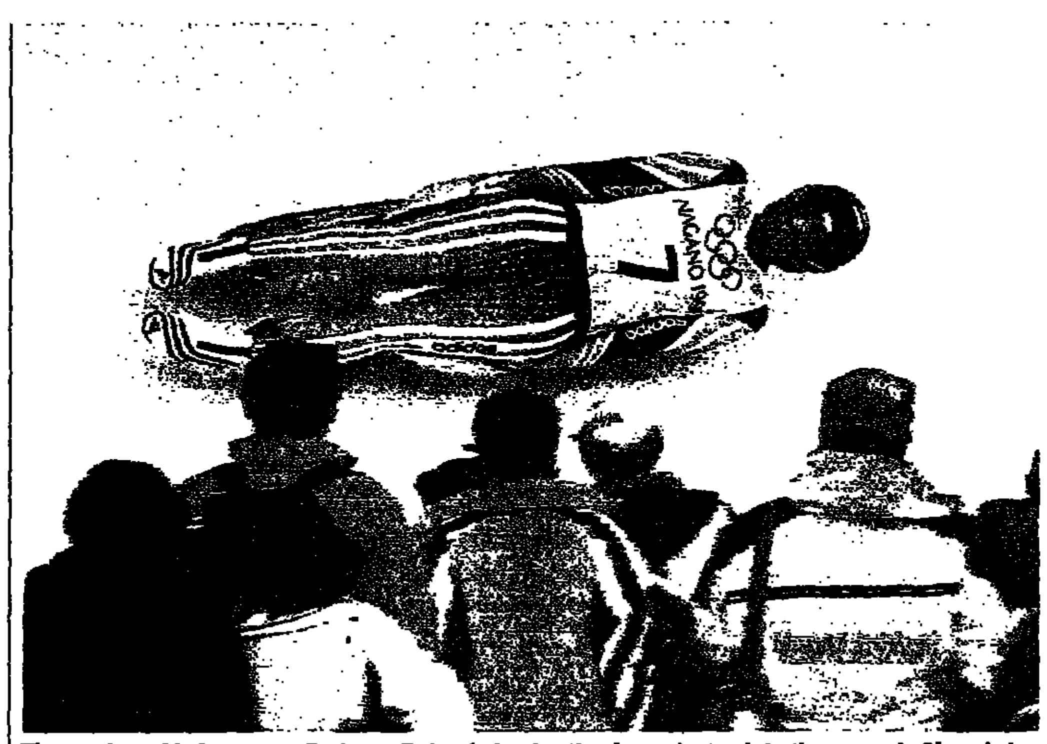
The economy's growth in 1997 was the strongest in nine years; the unemployment rate, averaging 4.9 per cent, was the lowest in 24 years; inflation, at 1.7 per cent at the end of 1997, was the best in 11 years. Asia's financial problems would lower US exports and raise imports, but the expected slower growth was already reducing long-term interest rates and prospects for inflation, Ms Yellen said.

The report said the new "high employment economy" would have long-term benefits and might be starting to reduce the extremes of inequality in American society. The proportion of the population living in poverty had fallen from 15.1 per cent in 1993 to 13.7 per cent in 1996 and for black people was now at an all-time low.

In a separate report, the Labour department said yesterday that productivity increased by 1.7 per cent in 1997 following a 1.9 per cent rise the year before. The gain provided further support for the claim that the growth of US workers' productivity – output per hour – had recovered from its stagnation of recent years.

In the last two years, the rate of growth has been more than double the 0.8 per cent average recorded between 1990 and 1995, though it was still well below the pace achieved in the 1950s and 1960s. In the fourth quarter of 1997, productivity grew at a 2 per cent annual rate, down from the 3.6 per cent rate of the third quarter, the department said.

Pat on back, Page 7



Flat-out for gold: Germany's Barbara Niedernhuber hurtles down the track in the women's Olympic luge singles competition at Nagano, Japan, yesterday. She is in first position after two runs. In the overall Winter Olympic medals table, Russia leads the field, with three golds Picture: Reuters

McDonald's goes Mexican as rivals eat into burger sales

By Richard Tomkins in New York

McDonald's, the US burger chain suffering poor results in its home market, is to expand into non-American food for the first time in its 43-year history.

It is taking a minority stake in World Foods, the privately owned operator of Chipotle Mexican Grill, a chain of 14 fast food restaurants serving Mexican-style food in and around Denver, Colorado.

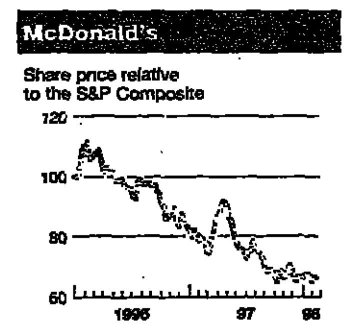
The balance of World Foods will continue to be owned by Steven Ells, the 32-year-old founder and chief executive, and other unnamed parties. The price was not disclosed.

Chipotle Mexican Grill serves burritos, tacos and fajitas made to original recipes with fresh ingredients. Its signature dish is a 17-18oz chicken burrito with black beans and rice that sells for $4.75.

The Mexican fast-food market is already served by Taco Bell, an international chain owned by Tricon Global Restaurants, a spin-off from PepsiCo. But McDonald's said yesterday Chipotle Mexican Grill had a more adult, up-scale image than Taco Bell, and its products sold at higher prices.

McDonald's

Share price relative to the S&P Composite



Source: Datastream/ICV

The investment in World Foods is insignificant in financial terms for McDonald's. But it marks an unexpected departure from the company's strategy of global expansion of its burger business.

The company has recently lost US market share and reported weak results from its US business because of severe competition in the US fast food industry. Marketing mishaps have added to the company's woes.

Patrick Flynn, executive vice-president of McDonald's USA, insisted that the investment in World Foods did not signal any change in McDonald's strategy. The company would remain focused on expanding its burger business, he said.

"McDonald's is making an opportunistically driven minority investment in a small restaurant concept that has a strong customer following and an excellent performance record," Mr Flynn said.

"By testing new ideas and evaluating results, we expand our body of knowledge about the food service business. Chipotle Mexican Grill is another opportunity to gain such learnings."

Mr Flynn said McDonald's did not plan to introduce Chipotle's products to McDonald's restaurants, or McDonald's products to Chipotle's.

But, if Chipotle's showed enough growth potential and appeal, McDonald's planned to expand it by offering franchisees the opportunity to open restaurants.

McDonald's told franchisees: "Our longer-term vision for the Chipotle organisation is to add it to our franchising mix, which would leverage the strengths of our existing franchise system."

It added that it would take "a couple of years to evaluate the organisation and determine its growth potential".

Lex, Page 14

Titanic gives Oscar lift to blockbusters

By Christopher Parkes in Los Angeles

Titanic, the maritime disaster film which failed to live up to widespread expectations of financial catastrophe, yesterday gained a further box-office boost with 14 Academy Award nominations.

The epic, which has topped the US box office for eight weeks, and so far sold more than $650m-worth of tickets worldwide, matched the nominations record set in 1950 by *All About Eve*.

Titanic has confounded critics of its record-breaking $200m-plus budget and may have dented the Hollywood consensus that it is time to rein in production spending.

However, while co-producers Viacom's Paramount Pictures and News Corp's 20th Century Fox have seen their success reflected in higher stock prices, the industry remains under pressure from Wall Street to improve margins.

Film-makers may have notoriously short memories, but investors need no reminding of flops such as Kevin Costner's *Waterworld*, the previous record-holder in the budget stakes, which was followed into box-office oblivion recently by Mr Costner's latest high-price release, *The Postman*.

Evidence from the list of other Oscar nominees confirms that blockbuster budgets are no guarantee of acclaim from the Academy of Motion Picture Arts and Sciences.

Of the other contenders, only *Amistad*, the DreamWorks-made slave-ship drama that

Continued on Page 14

Markets

STOCK MARKET INDICES		
New York: lunchtime		
Dow Jones Ind Av	8,294.12	(+113.60)
NASDAQ Composite	1,789.72	(+19.29)
Europe and Far East		
CAC40	3,235.76	(+14.82)
DAX	4,523.75	(-39.60)
FTSE 100	5,613.3	(+12.4)
Nikkei	17,205.09	(+0.09)
US LUNCHTIME RATES		
Federal Funds	5.43%	
3-mth Treas Bills: Yld	5.107%	
Long Bond	102⅜	
Yield	5.926%	
OTHER RATES		
UK: 3-mo Interbank	6¼%	(7⅜%)
UK: 10 yr Gilt	109.0313	(109.111)
France: 10 yr OAT	103.08	(103.11)
Germany: 10 yr Bund	106.83	(106.87)
Japan: 10 yr JGB	108.55	(108.56)
NORTH SEA OIL (Argus)		
Brent Dated	$14.625	(14.75)

GOLD		
New York: Comex		
(Feb)	$301.2	(300.6)
London:		
	$300.15	(301.55)
EXCHANGE RATES		
Dollar		
New York: lunchtime		
£	1.62495	
DM	1.8112	
FFr	6.0715	
SFr	1.4646	
Y	123.545	
London:		
£	1.6243	(1.6333)
DM	1.8087	(1.8138)
FFr	6.0656	(6.0805)
SFr	1.4605	(1.4627)
Y	123.420	(124.345)
Tokyo close:		Y 123.525
Sterling		
DM	2.9379	(2.9624)

London · Leeds · Paris · Frankfurt · Stockholm · Milan · Madrid · New York
Los Angeles · Tokyo · Hong Kong

Bahrain	Din1.300	Belgium	[illegible]	Cyprus	[illegible]
Denmark	DKr21.00	Estonia	[illegible]	Finland	[illegible]
France	FFr22.50	Gibraltar	[illegible]	Greece	Dr450
Hungary	Ft340	Iceland	[illegible]	Italy	[illegible]
Jordan	JD1.75	Kuwait	[illegible]	Latvia	[illegible]
Lebanon	[illegible]	Luxembourg	[illegible]	Morocco	[illegible]
Netherlands	[illegible]	Nigeria	[illegible]	Norway	NKr22.00
Oman	OR1.25	Poland	Zl 7.50	Portugal(Mainland)	[illegible]
Qatar	QR13.00	S.Arabia	[illegible]	S.Africa	[illegible]
Spain	[illegible]	Sweden	SKr22.00	Syria	[illegible]
Switzerland	[illegible]	Tunisia	[illegible]	UAE	[illegible]

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Russian markets remain unimpressed as finance minister launches another reform plan

Kremlin seeks speedy deal on tax code

by Chrystia Freeland in Moscow

The Russian government continued its aggressive effort to rebuild investor confidence yesterday, as the finance ministry unveiled a new draft tax code and gave an upbeat assessment of talks with the International Monetary Fund.

But Moscow's nervous financial markets, which have been seriously weakened by the Asian crisis, responded unenthusiastically. Share prices fell nearly 2 per cent and the rouble slipped slightly against the dollar, suggesting investors have not yet been convinced by the government's recent efforts to prove it has its economic house in order.

Mikhail Zadornov, the finance minister, said he expected parliament to pass the revised tax code by the middle of this year. The new code replaces the government's 1997 draft, which failed to win legislative approval. "Any further delay in tax reform is unacceptable," said Mr Zadornov.

The minister warned that if the tax code were not passed by the summer, Russia would be lumbered with its current tax system for another two to two and a half years.

He said that budget debates in the second half of this year, followed by 1999 parliamentary elections and a presidential ballot in 2000, would make it impossible for the parliament to pass the tax code after the middle of this year.

Mr Zadornov, who joined the cabinet last autumn after serving as a member of parliament from the democratic opposition party Yabloko, said the revised tax code incorporated most of the amendments Yabloko had proposed.

He said the new plan reduced the overall tax burden to 30.7 per cent of GDP, down two full percentage points from this year and three from last year. It would also radically simplify the system and reduce the number of taxes.

Some key taxes are to be reduced. Under the new code the profit tax rate would be cut from the originally proposed 35 per cent to 30 per cent. The finance ministry has also dropped its plan to increase the value added tax to 22 per cent from its current 20 per cent.

Mr Zadornov offered an optimistic view of talks with an IMF mission which is currently in Moscow. He was confident Russia would agree a programme for 1998 with the IMF by the end of this week in time for a visit by Michel Camdessus, the fund's managing director, early next week.

Mr Zadornov also confirmed that the government was determined to avoid incurring any new domestic or foreign debt until the end of March, arguing that interest rates were currently too high. At the end of March the government would review the situation and was likely to launch a foreign bond issue.

Big yield for Kiev debut bond

By Edward Luce

Ukraine is today expected to issue the most expensive sovereign bond in recent memory in a move which has taken the international capital markets by surprise.

The DM500m ($280m) bond, Ukraine's debut offering in the international bond markets, is expected to yield about 16 per cent – almost double the amount paid by the mainstream emerging market borrowers.

Officials at leading investment banks yesterday expressed incredulity that Ukraine would choose to come to the markets at such an unprecedented rate. "This smacks of desperation," said one syndicate head in London. "No-one borrows money at these spreads."

Officials were also surprised that Ukraine had not opted to wait until the international markets had regained appetite for emerging market paper which has been subdued since turmoil hit Asia last October.

Of the sovereign emerging market governments, only Argentina, Brazil and Turkey have tapped the bond markets since last October with all three issuing at yields of well below 10 per cent.

Even Russia, which is considered one of the riskiest sovereign borrowers in the world, paid a coupon of about 10 per cent on its last visit to the markets. "Either Ukraine is desperate for the cash or it is unconcerned about its international reputation," said a US investment banker in New York.

However, others said the bond would meet strong demand from international hedge funds, which have been starved of high-yield paper in the last few months. Retail investors in continental Europe are also reported to be interested, having stronger stomachs for high-risk paper than most institutional investors.

Economists said Ukraine needed to raise the cash urgently to meet its mounting debt obligations. The country suffered from considerable outflows of foreign portfolio investment in the aftermath of the crisis last October, and has had difficulty persuading investors to return to the Ukrainian domestic bond market despite the fact the three-month Treasury bill yields about 50 per cent.

The three-year bond, which will be lead managed by Merrill Lynch and Commerzbank, is expected to be issued today. The bond will be priced to yield about 1,000 basis points – 10 percentage points – more than three-year German government bonds.

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Yeltsin unsteady on Roman stage

By James Blitz in Rome

President Boris Yeltsin yesterday gave an unsteady performance on the second day of his official visit to Rome, failing to dispel concerns about the state of his health.

During a series of meetings with Romano Prodi, the Italian prime minister, and later with Pope John Paul at the Vatican, Mr Yeltsin avoided making any gaffes of the kind that had marked the start of his visit, when he suggested that Kofi Annan, UN secretary-general, was on his way to Baghdad to mediate over the Iraqi crisis.

But he appeared unsteady at a press conference at the Palazzo Chigi, the prime minister's headquarters, occasionally requiring help from his official spokesman when answering questions.

At one stage, Mr Yeltsin, who rarely ventures into public in Moscow these days following a heart bypass operation, appeared to have difficulty understanding a question over his earlier statement about Mr Annan's trip.

"I never said that I would go to Iraq," he replied.

Later, during a visit to lay flowers at Italy's Tomb of the Unknown Soldier in Piazza Venezia, the 67-year-old Russian leader broke official protocol by not paying tribute to the Italian flag despite aides' efforts to bring him to a stop.

Mr Yeltsin, who otherwise appeared in reasonable health, frankly admitted that he had not yet managed to form a close relationship with Mr Prodi.

"I don't know if you could call it a warm friendship but I think in 1998 we will want to achieve this together," he said.

Mr Yeltsin and Mr Prodi yesterday signed a dozen joint agreements at the heart of which was a determination to boost trade between Russia and Italy from the current level of L11,000bn per year to L27,000bn ($6.2bn-$15.2bn).

Yeltsin poses with Prodi before their meeting at the Palazzo Chigi yesterday *Reuters*

Among the accords the leaders are expected to draw up is an $840m joint venture between Fiat, the Italian car company, and the Russian enterprise GAZ, for the manufacture of some 150,000 cars in Russia by the year 2005. They also include a $200m contract between the City of St Petersburg and the Breda transport company to create a joint venture producing buses for local public transport.

Russian groups blamed for Georgia attack

By Selina Williams in Tbilisi

The Georgian capital, Tbilisi, was under tight security yesterday after a well-organised assassination attempt on President Eduard Shevardnadze.

The attack on Monday night, which left three dead and six wounded, was the second in three years on the president. He called his survival a miracle.

During the relative calm since the previous attempt on Mr Shevardnadze's life, Georgia has largely managed to overcome its image of a lawless state.

However, one presidential adviser said yesterday he was not surprised by the attack, claiming that Russian ultra-nationalist and communist groups, who still see Georgia as an intrinsic part of Russia, had masterminded the assault.

"There are many destructive forces in Russia that want to destabilise the region and are ready to do anything to maintain influence here," said Peter Mamradze, head of the state chancellery.

While one of the attackers killed during the shooting was carrying a Russian passport, there is little other concrete evidence to support Mr Mamradze's statement. But Russia does have a long history of meddling in the region, supplying separatist rebels with military hardware and soldiers.

Mr Shevardnadze told reporters the attack could have been aimed at fomenting chaos to prevent the laying of a new pipeline westwards across Georgian territory from the oil-rich Caspian Sea.

"Very powerful forces are interested in a different solution of the question linked to the transportation of oil through Georgia," said Mr Shevardnadze. The 70-year-old former Soviet foreign minister has led Georgia since his return in 1992.

Russia had much to lose when the three countries in the Transcaucasus, Georgia, Armenia and Azerbaijan, abandoned the Soviet Union in 1991 and began a period of shaky independence.

Azerbaijan's first international oil consortium announced in 1995 that it would ship oil to international markets through a Georgian pipeline, but since then there has been fierce competition with Russia to build a larger pipeline that will transport 800,000 barrels a day.

Shevardnadze describes the gun and grenade attack on his motorcade; he said he survived it by a miracle *Reuters*

French right fails to block 35-hour week

By Robert Graham in Paris

The French National Assembly yesterday adopted the Socialist-led government's controversial law to introduce a 35-hour working week from the year 2000.

Despite vocal criticism and filibustering tactics from the opposition, the rightwing parties failed to pass any substantial amendments to the government's proposals. At the same time Lionel Jospin, the prime minister, managed to impose discipline on his Communist partners, preventing them from entrenching more favourable conditions for employees.

The vote was carried by 316 votes to 254 and the bill will now be sent to the Senate before coming back to the assembly for a second reading. It is unlikely to become law until April.

In her final comments before the vote, Martine Aubry, the labour and social affairs minister, once again sought to allay fears among both employers and unions that the introduction of a 35-hour week would upset labour relations and fail to generate new jobs.

"The reduction in working time is neither against the companies nor the employees, rather it is being done to create employment," she said.

The law obliges companies employing over 20 people to introduce the scheme by 2000, with a sliding scale of cuts in social security charges offered to employers depending on how many new jobs are created. By 2002 the scheme will be extended to companies employing under 20 people.

A second law will have to be introduced in the next year fleshing out the details of the scheme. A number of key issues have been left deliberately vague, including such vital matters as labour flexibility, wage moderation, overtime pay and whether hours worked are calculated on an average over the year.

Employers claim the law will raise employment costs by upwards of 10 per cent and freeze job creation; the unions fear companies will be able to exploit the law to impose wage freezes. In either case the government's faith in large scale job creation from the measure is likely to be put to the test.

Germans see threat to 'land of poets'

EU questions on book prices have roused an angry response, writes **Peter Norman**

Only the European Commission could forge such unity.

Karel Van Miert, the competition commissioner, has got Germany's booksellers and publishers in arms and provoked united opposition from warring political parties with a threat to end a 110-year-old system of fixing prices for books.

As soon as the Commission announced last month that it would start investigating the cross-border fixing of book prices in Germany and Austria, Heidemarie Wieczorek-Zeul, a former leftwing firebrand and the opposition Social Democratic party's spokesperson for Europe, leapt to the system's defence. Two days later, Helmut Schäfer, junior foreign minister responsible for cultural affairs and a Free Democrat, made it clear the Bonn government would fight to keep fixed prices.

This message was reinforced by Alfons Pfeifer, minister of state in the chancellery and one of Helmut Kohl's close supporters in his Christian Democratic Union. Recent student protests have thrown the spotlight on the high cost of books in Germany, but the parties and politicians defending the system of fixed prices focused instead on their importance as a "cultural good" in need of special protection.

According to Guido Westerwelle, FDP general secretary, that protection sustains more than 7,000 booksellers and the publication of more than 71,000 new titles a year, helping to secure Germany's reputation as a "land of poets and thinkers".

Supporters say that price fixing allows bestsellers to subsidise the production of books with minority appeal and Germany's many small publishing houses to stay in business. The book trade reckons that one third of new titles roughly break even and one third make losses.

> The minister warned of a price war that would leave Germany's book trade in the hands of large publishers and superstores

Price fixing has applied to the German-speaking area of Europe, including Austria and Switzerland, since the 19th century. The prices were set nationally until 1993, when a cross-border agreement was reached setting the same prices in the three countries.

This has been challenged by Librodisk, an Austrian retailing group with around 220 branches, which alerted the Commission in Brussels to the apparent infringement of free competition. Librodisk wants the cross-border price fixing abolished so that it can sell German bestsellers at a discount.

The German publishers' and booksellers' association fears the way would then be open for reimporting books published in Germany from Austria at prices that would destroy many small businesses. It is a view supported by the Bonn government.

After talks with the book trade, Mr Pfeifer, the chancellery minister, warned that the Commission's investigation could lead to a price war that would leave Germany's book trade in the hands of large publishers and superstores and Europe "culturally poorer" because small, quality-oriented publishers would be forced out of business.

Ms Wieczorek-Zeul cited the case of France, which abolished price fixing in 1979 only to reintroduce it 2½ years later after finding that the quality end of the market was being squeezed out of business.

A Commission proposal to replace price fixing with a fund to subsidise quality literature has met with scorn. "Before a single Ecu was spent, such a fund would produce rows about the criteria for dispersing the cash, about who should decide, about the method of distribution and new, cost-intensive bureaucracies that would provide no service to culture," Mr Pfeifer said.

With such backing, the German book industry association is hopeful that it will win its case. It and its Austrian equivalent have already signalled that they will pursue the issue in the European Court if the Commission rules against the cross-border price fixing agreement.

Given the speed at which the court works, the present structure would be preserved for five years at least. But lurking in the background are fears that Mr Van Miert's investigation could mark the beginning of the end of stability in the German book trade.

Although Eugen Emmerling of the Frankfurt-based book association dismisses the threat as minor and "exotic", it is already possible to obtain German language books by the Internet at lower prices. More worrying for small booksellers are rumours – nothing more – that the giants of German publishing such as Bertelsmann and Holtzbrinck are positioning themselves to take advantage of a lifting of price fixing, should Mr Van Miert press and win his case.

NEWS DIGEST

Report on EU telecom charges

The European Commission hopes to publish by April the results of a Europe-wide investigation into the high cost of calling mobile phones from fixed phones – and may put pressure on operators to cut charges.

Brussels confirmed yesterday that Karel Van Miert, competition commissioner, had written to all European fixed-line and mobile operators asking for information both on prices paid by phone users, and on interconnection charges between fixed and mobile networks.

"This is not a declaration of war on the operators – at least not yet," said a spokesman for Mr Van Miert. But the Commission said it was concerned that interconnection rates between fixed and mobile networks could be up to 14 times higher than rates between fixed networks, and it was seeking to ensure that interconnection charges were cost-based.

The costs of calls from fixed phones to mobile phones had been found to be up to six times higher than mobile-to-mobile or fixed-to-fixed calls. The investigation covers only the costs of calls within each of the European Union's 15 member states, and not international calls.

Neil Buckley, Brussels

■ GERMAN PAY DISPUTE

Talks make little headway

Demonstrations by 25,000 public sector workers across Germany formed the backdrop for the third round of talks yesterday between unions and employers over pay and conditions.

But the latest negotiations in Stuttgart in the long running confrontation made little headway and were shelved until after state elections in Lower Saxony on March 1.

Unions representing 3.2m public sector workers are demanding a deal equivalent to a 4.5 per cent increase in pay and benefits. Employers have so far refused to make a formal offer – insisting unions first withdraw some of their demands – but have warned higher wages could threaten jobs and investment.

Herbert Mai, head of the public service and transport union, said protest action could quickly escalate if employers maintained their "blockade".

Ralph Atkins, Bonn

■ ROMANIAN ECONOMY

Purchasing power falls

Many ordinary Romanians sank further into poverty last year as purchasing power dropped by 22.4 per cent after adjustments for inflation and indexation, according to figures out this week. Romanian gross domestic product last year fell by 6.6 per cent, and inflation surged to 151 per cent from 57 per cent in 1996.

The news will provide extra ammunition for trade unionists and the socialist opposition, who have been attacking the government of Victor Ciorbea for continuing with austerity measures in the face of public suffering.

The latest figures do not, however, take account of earnings on the black and grey markets, which may account for up to 40 per cent of the total. But the decline is a serious one, especially given that Romanian living standards were already among the lowest in eastern Europe with the average wage below $100 a month.

Domestic investment last year fell by 19 per cent in real terms compared to 1996. The National Statistics Board blamed the fall on weaker company results and the government's tight monetary policy. A crackdown on a loose loans policy by some state banks meant that credits were only 56 per cent of their 1996 level. *Anatol Lieven*

■ ITALIAN KIDNAPPING

Victim released after 237 days

One of Italy's most controversial kidnapping cases in recent years was yesterday brought to an end after it emerged that Giuseppe Soffiantini, a businessman from Brescia, had been released by his captors.

Mr Soffiantini, 67, was released at a roadside outside Florence after 237 days in captivity. His family admitted paying a ransom of L5bn ($2.85m) for his release. Initial indications were that Mr Soffiantini was in reasonable medical condition, despite mutilation of both his ears.

The businessman's release triggered an unprecedented debate over Italy's kidnapping law, which forbids the payment of ransoms. Although the Soffiantini family was at first forbidden to pay the cash, the sheer length of the businessman's detention forced the government and local magistrates to allow the ransom to be paid.

Italy's anti-maffia chief, Piero Luigi Vigna, warned yesterday there had been a marked decline in kidnappings under the present law, from 21 people a year in the early 1990s down to 5. However, the reform of what is regarded an inhumane law is being sought by deputies across the political spectrum in parliament.

James Blitz, Rome

■ MAURICE SCHUMANN

Former minister dies aged 86

Maurice Schumann, a former French foreign minister and an influential figure in the resistance, died yesterday at the age of 86. President Jacques Chirac hailed him as a passionate servant of France and "one of the century's great witnesses".

During the second world war, Mr Schumann broadcast from London as the "Voice of France" and served as General Charles de Gaulle's spokesman. His passionate denunciations of collaborators more than once led to their killings by Resistance fighters who received coded orders such as "the carrots are cooked" or "Franklin is arriving" over his radio programme.

Schumann was deputy foreign minister from 1951 to 1954 and headed parliament's foreign affairs committee for most of the period from 1957 to 1968. He was appointed foreign minister in 1969 under Georges Pompidou, former president, a post he held until 1973, devoting much time to European affairs and playing a leading role in what was later to become the European Union. *Reuters, Paris*

■ SLOVAK PRESIDENCY

Special vote set for March

The Slovak parliament will vote in a second round of elections for a new president at a special session on March 5, a senior parliamentary official said yesterday.

No official candidates have yet been announced by any of the parliamentary groupings. The government of Vladimir Meciar, prime minister, did not field a candidate in the first round last Friday when parliament failed to elect a new president. Neither of the two opposition candidates picked up the three-fifths majority necessary to produce a winner.

Deadlock had been widely predicted because no parliamentary grouping is strong enough to muster a three-fifths majority and animosity between government and opposition parties is so high that a compromise would be difficult. A constitutional crisis now looms because incumbent Michal Kovac's term expires on March 2 and there is no limit to the number of rounds until a candidate wins.

With parliamentary elections scheduled for September, no new government can be formed until the president has accepted the resignation of the old one.

Reuters, Bratislava

هكذا من الأصل

Swedish bank warns over euro

By Tim Burt in Stockholm

One of Sweden's largest banks yesterday warned that the krona could be destabilised if the country's leading industrial companies abandoned the currency in favour of the euro for invoicing, commercial transactions and handling share capital.

Skandinaviska Enskilda Banken, the financial flagship of Sweden's Wallenberg business empire, said rapid conversion to the euro by listed companies could undermine demand for the krona – leading to an outflow of about SKr130bn ($16bn) a year.

"In addition, non-recurring portfolio adjustments – mainly in the form of SKr430bn in currency hedging – will adversely affect the krona," said Klas Eklund, chief economist at SE-Banken.

Moves by Swedish companies to adopt the euro would widen the gap between the country's leading exporters – which broadly support the single currency – and the government, which has decided not to join European economic and monetary union in the first wave.

A number of the country's largest manufacturers have already announced plans to produce euro-denominated accounts, while the Stockholm stock exchange has voiced ambitions to list shares in both the krona and euro.

"Companies will need to take comparatively small steps before they can start using the euro instead of the krona," said Mr Eklund. "If Swedish economic policy does not inspire confidence, the movement to the euro may become unstoppable. This may have political consequences and even force Sweden to join Emu earlier than planned."

Sweden's left of centre government has adopted a wait and see approach to the single currency, while the opposition Moderate party has called for a referendum next year and Emu entry soon thereafter. Economists, however, remain divided over the likely impact on the Swedish currency.

Nils Lundgren, chief economist at Nordbanken, yesterday questioned the SE-Banken scenario and suggested that currency volatility would be minimal, at most. "Even if companies do move capital and assets into euro, it does not automatically mean the krona would be forever weakened," he said.

SE-Banken, which is understood to have canvassed a number of Wallenberg-controlled companies about their euro intentions, said the transition would be gradual at first but could soon gather pace.

Border killings spark Bonn security review

By Frederick Stüdemann in Berlin

Germany is to consider improving protection for its border officials following the killing yesterday of three customs officers in two separate shootings.

The interior ministry in Bonn said the incidents – one on the border with Poland, the other on the German-Swiss frontier – were a sad demonstration of the dangers faced by officials and that protection would be reviewed.

Since the collapse of communism, Germany's eastern borders have seen an increase in violent crime related to the smuggling of both people and goods.

The shooting on the eastern border yesterday, which occurred at Ludwigsdorf in Saxony, appears however to have been the work of a mentally disturbed man, reportedly from Kazakhstan, who was entering Germany on a bus.

When customs officials boarded the bus the man snatched a gun from one of the officers and shot them. The man then fled but was later apprehended.

Customs officers said that while the incident was an extreme case, they were regularly exposed to danger.

The German-Polish border, which runs along the Oder and Neisse rivers, is one of the most heavily fortified frontiers in Europe. The border police, whose numbers have been significantly increased in recent years, carry out constant patrols using helicopters, boats and infra-red technology.

Since the early 1990s border posts along the eastern frontier have also been significantly upgraded with sophisticated technology and hardware to aid detection of smuggling and prevent vehicles ramming their way through checkpoints – previously a popular means of illegal entry.

The battle against illegal immigrants has even been extended to the hinterland. Taxi drivers in Saxony, for instance, are now expected to check the identity of any passenger they suspect of being an illegal immigrant. The drivers face fines if they are found to have transported, whether by intention or not, illegal immigrants.

The second shooting incident occured at Germany's border with Switzerland near Lake Constance. An unidentified man shot a German and a Swiss official as he drove through the checkpoint. The man then shot himself and later died.

US officer takes on the Russian military

Armed only with a bow tie and a business plan, a former paratrooper seeks to promote defence conversion

In an earlier incarnation as a paratroop officer, John Nowell used to don battle fatigues and cold war attitudes to confront the military might of the Soviet Union.

Next week, Mr Nowell will be displaying nothing more threatening than a bow tie and a business plan as he seeks to persuade investors to back a $100m venture capital fund targeted at military conversion projects in the former Soviet Union.

Mr Nowell manages the Defense Enterprise Fund, a US government-sponsored fund designed to promote defence conversion in the region. The fund, which aims to bring a private sector approach to a public sector problem, has already committed $51m to a variety of projects, which will employ more than 5,000 workers.

"We have a mandate from the US government to help with the conversion of military enterprises into the private sector," said Richard Nordin, managing director of the fund's Moscow office. "But the only way to do this is to build good, strong, commercial companies employing increasing numbers of people."

Such is the scale of opportunity in this field that Mr Nowell is eager to raise additional capital through a private, separately managed fund. "We look at 1,000 pieces of paper a year, we uncover 300 bankable deals, and we fund 10," he said. "With the new fund we may be able to back another 12."

It used to be said that the Soviet Union did not have a military-industrial complex; it was a military-industrial complex. The Soviet defence sector soaked up the bulk of the country's resources and the best of its brains.

Although much of the sector remains closed and hostile to outsiders, more and more managers appear to realise they must adapt to the market if they are to survive. Potentially, they have huge technological skills and human capital to offer.

Mr Nowell said he will seek fresh capital from the "usual suspects" among the big fund managers. But he will also target multinational companies, particularly in the materials science, information technology and telecommunications sectors, which will have first look at all investment projects.

John Nowell seeks to persuade investors to back a $100m venture capital fund — James Hill

Mr Nowell, a Russian speaker, is well aware of the sensitivities of operating in the former Soviet Union and said the most important factor in any project is finding the right people with the right mentality. As an example, he cited Yevgeny Kamnev, a former top-ranking Soviet communications expert, who runs a commercial telecommunications laboratory in the heart of Moscow. The US fund is investing $5m in the laboratory, which employs former strategic missile specialists to design computer systems for traffic handling, systems development and billing.

Other projects include helping to turn a submarine plant into an earthmoving vehicles manufacturer and a nuclear weapons testing facility into a printed circuit board maker. "We are pursuing conversion in a practical manner," said Mr Kamnev. "I have many other friends and contacts in defence plants who would like to follow our example. We have to get used to co-operating with other partners and working in a different way."

Some Russian companies may be suspicious the fund is simply trying to exploit their technology but Mr Nowell said it would be senseless to create anything other than a mutually-beneficial, long-term relationship.

"The Russians beat Napoleon and Hitler and we won't leave here with our underwear if we try to rip them off," Mr Nowell said. "Our philosophy is treat people right, share the wealth, and give something back to the community. We like to think we have a Russian soul and a western brain."

In spite of Mr Nowell's persuasive patter and the fund's initial success, he accepts he is operating in a colder climate than before.

Critics in Washington say the government-sponsored fund is one of the most expensive job creation programmes in history, costing $10,000 per employee. The fund responds that if it does its job properly it will return the profit to the US Treasury, rendering such arithmetic meaningless.

But private foreign investors are also fighting shy of Russia, following the financial turmoil in Asia, and may be especially wary of such "adventure" capital funds, where due diligence is an obvious concern.

Even the confident Mr Nowell, who hails from Tennessee, confesses to the occasional doubt. "We have an old saying in the South that if you go into a barbecue restaurant and there are no flies you have to ask yourself what do the flies know that you don't," he said. "I would be much happier if more people were moving in our direction."

John Thornhill

NEWS: WORLD TRADE

China agrees petrochemicals venture

By James Kynge in Beijing

Beijing has approved a plan by Royal Dutch/Shell, the Anglo-Dutch oil company, to build a $4.5bn petrochemicals complex in southern China. It is the largest foreign investment to date in the country's fast developing chemicals sector.

Chinese officials said the government had recently become keener to approve such projects to combat growing concern over slowing commitments to new investments. "This will provide a big boost to the foreign investment climate," said one senior official.

The approval is also an important step towards realising a national plan to expand annual ethylene capacity to 8m-10m tonnes by 2010, compared with industry estimates of 3m tonnes in actual 1997 output.

Royal Dutch/Shell is expected to invest $2.25bn in the project, a 50-50 joint venture with Chinese partnership in the southern province of Guangdong.

The main Chinese partner is to be China National Offshore Oil (CNOOC), with a 25 per cent stake. China Merchants Holdings, a conglomerate based in Guangdong, will hold 20 per cent. Guangdong Investment and Development, a state corporation, will have 5 per cent.

In an indication of the importance China attaches to the venture, Li Peng, China's premier, is to travel to the Netherlands for the signing ceremony next week.

Scheduled for completion in 2003, the plant's annual production capacity is expected to be 900,000 tonnes of ethylene, 450,000 tonnes of polyethylene, 320,000 tones of mono-ethylene glycol, 240,000 tonnes of polypropylene, 560,000 tonnes of styrene monomer and 250,000 tonnes of propylene oxide.

Jeremy Frearson, Shell's China spokesman, played down concerns that Asia's petrochemical industry may be suffering from oversupply by 2003, based on planned capacity expansions. The company was confident of China's long-term demand for petrochemicals.

It was possible, however, that other planned petrochemical plants in Asia might have to reconsider or scale back their ambitions, industry analysts said.

Several large foreign-invested petrochemical ventures are planned. BP Chemicals is to build a $2.5bn complex with Shanghai Petrochemical, a subsidiary of Sinopec, China's state-run chemicals producer.

China's State Council yesterday also approved plans by BASF to build an integrated petrochemical site in Nanjing. Capital investment will be about DM5bn ($2.8bn) and the plant is due to be fully operational by 2003, BASF said.

● China has agreed to accept ATA carnets, an International Chamber of Commerce facility for temporary duty-free admission of goods, writes **David Owen in Paris**. Chinese customs are to accept the carnets, which are operated by 52 trading nations from March 1 for temporary imports for display and use at trade fairs and exhibitions.

Banana grower in union pact

By James Wilson in Panama City

Fresh Del Monte Produce, the banana producer, has reached an agreement over trade union rights in its Costa Rican plantations to end a European consumer campaign against the company.

The accord was concluded after action by two groups, Banana Link and the World Development Movement (WDM), against Del Monte. It highlights the pressure faced by companies to adopt more "ethical" production methods in developing countries.

Chiquita and Dole, the world's largest banana companies, are now said to have come under more pressure over labour rights on their plantations.

Part of Del Monte's agreement with the SITRAP trade union calls on the union to stop its actions against Del Monte in Europe, including dumping fruit outside the company's UK headquarters.

The two European campaign groups have targeted working conditions in Costa Rica, the world's second largest banana exporter, which they say has a poor record of labour rights abuse in spite of constitutional guarantees of union freedom. Unions say members have been harassed and blacklisted.

Costa Rica rejects the claim, saying workers have instead preferred to join *solidarista* associations, which use employees' contributions to provide cheap loans and promote savings, rather than more politicised unions. The three regional unions represent only 10 per cent of Costa Rica's 50,000 banana workers.

Del Monte, which employs 5,200 in Costa Rica through its Bandeco subsidiary, has agreed with SITRAP to respect workers' rights to belong to the union and to allow free organisation.

Donald Murray, Bandeco's general manager, said the accord showed the company's commitment to union rights. "It is important to view the agreement as a decision by SITRAP and ourselves to bury the past and seek a new relationship."

Harriet Lamb, of the WDM, welcomed Del Monte's move and said: "We now want to see the rest of the banana bunch recognise free trade unions on all of their plantations throughout the world." WDM said it would focus on Chiquita and Dole.

Jorge Sauma, director general of Corbana, an organisation representing the Costa Rican banana industry, said the campaign against Costa Rica was "unfair". Other countries with worse labour rights records were not targeted because they were not as open as Costa Rica.

Tables turned on AT&T

Henry Tricks reports on the ironies of the US telecom group's contest with Telmex

It is curious to hear AT&T, the most powerful US telephone company, cry foul in its dealings with Mexico's newly deregulated telecommunications industry. The US telecoms company had a monopoly of its own before competitors such as MCI started chipping away at its market share following liberalisation of the US long-distance market in 1984.

Now AT&T and MCI are on the same side and their sights are turned on Telmex, Mexico's leading carrier, with which they compete via separate joint ventures in Mexico. Industry analysts say that both US companies – shocked by steep losses during their first year in Mexico – are now accusing Telmex of monopolistic practices. AT&T and MCI are also questioning the fairness of Mexico's opening of the telecommunications market, which began with long-distance competition in 1996.

"The irony is that AT&T is trying to do to Telmex what MCI did to AT&T," said Matthew Hickman, Latin American telecoms analyst at Lehman Brothers.

The dispute has escalated recently, with both US carriers pressing Telmex to slash the settlement rates it charges them to complete calls in Mexico. Avantel, MCI's Mexican partner, joined the fray, saying the 58 per cent surcharge charged by Telmex on in-bound international traffic is draining it of cash, forcing it to suspend investments in Mexico.

Francisco Gil Diaz, chief executive of Avantel, said the company complied with investment plans previously agreed with Mexican communications regulators, but that high interconnection expenses meant Avantel wouldn't be able to carry out its network expansion plan for this year.

Gil Diaz said Telmex's total interconnection rates amount to seven US cents a minute, seven times higher than the real cost to Telmex. He also said the company was lowering its long-distance rates at the same time.

That has halted $900m of planned MCI-Avantel development in Mexico, which analysts described as "industrial blackmail". Foreign investment is crucial to the success of President Ernesto Zedillo's economic programme.

Marcatel, another Mexican long-distance operator with US partners Westel and IXC Communications, has also announced it has frozen $75m of new investments, complaining of Telmex's high charges.

In a bid to reduce international settlement rates, MCI and AT&T have challenged a provisional decision by the US Federal Communications Commission (FCC) last year allowing Telmex to operate as a long-distance carrier in the US, in association with Sprint, its US partner. Telmex is awaiting final approval from the FCC.

The cross-border battle coincides with implementation this month of a World Trade Organisation pact signed by 72 countries – including the US and Mexico – which opens up telecom services to foreign competition.

In a letter to FCC chairman William Kennard late last month, MCI chief Gerald Taylor said: "It would be a grim irony if the first fruits born of the WTO agreement on basic telecommunications services were failed or severely curtailed US investments in Mexico."

Mexican regulators are standing by Telmex, saying the controversial interconnection fees that Telmex charges competitors to use its local network were spelled out in 1996 and should come as no surprise. They are insisting that the FCC ratify its decision to let Telmex into the US and accept a timetable of settlement rate reductions proposed by Telmex that would bring it in line with the US benchmark of 19 cents a minute by 2000.

Telmex is one of the first companies to accept that benchmark, and Mexico's regulatory agency, the Federal Telecommunications Commission, has threatened unspecified legal action if the FCC turns down Telmex's bid for a licence.

Once the Mexican government achieves FCC acquiescence, it says it will address the issue of the 58 per cent surcharge – a subsidy supposedly meant to help Telmex expand its local network.

Avantel, citing a report by UK telecommunications consultants OVUM Interconnect, noted that the surcharge gives Telmex "the highest interconnection rates in the world". According to OVUM, they are 7.11 cents a minute at purchasing power parity, compared with 1.13 cents at BT of the UK and 1.65 cents at Bell Atlantic of the US.

On the other hand, even some of Telmex's competitors have applauded the speed with which Mexico has opened its telecommunications market. Only seven countries – New Zealand, Chile, Mexico, the US, UK, Finland and Sweden – have broken their telephone monopolies since the mid-1980s. But of all the regulatory frameworks adopted, industry analysts say none has proved entirely satisfactory.

Telmex results, Page 16

NEWS DIGEST

Global Link's $500m boost

USA Global Link, the world's largest provider of discount international telephone calls, has signed a letter of intent with 3Com, a California-based data communications manufacturer, which should lead to the largest internet telephony system to date.

The letter of intent calls for 3Com to supply Global Link with 500 switches for the network. Global Link's initial investment is thought to be about $500m in a network which will eventually cost $1.2bn. Internet telephony enables subscribers to make international calls for the cost of a local call and is threatening to undermine international operators' tariff structures. Global Link is a pioneer in the use of technology to cut telecom bills and first attracted attention as a "call-back" operator through which calls from high tariff countries are billed where tariffs are lower. The company recently raised $81m from its original investors and intends to raise the balance of finance for the network through debt and through an initial public offering likely to take place at the end of this year. *Alan Cane, London*

■ EGYPTIAN POWER

First private plant planned

Egypt's first private sector power station is to be built by Intergen, a subsidiary of US company Bechtel. Intergen bid $300m for what will be the Egypt's first build-own-operate-transfer power project, to be built at Sidi Krier near Alexandria. The gas or oil-fired 650 MW steam turbine plant will produce 4,500m KW of electricity a year.

The Sidi Krier power station is a big leap forward in the Egyptian government's programme of economic reform, intended to extend private sector activity. The project is expected to be followed by plans to partially privatise the national power transmission and distribution systems. Eight state-owned companies are earmarked for extensive reorganisation before up to 20 per cent of their shares are offered for sale. *Mark Huband, Cairo*

OECD Export Credit Rates

The Organisation for Economic Co-operation and Development announced new minimum interest rates (%) for officially supported export credits for February 15 to March 14 (January 15 to February 14 in brackets).

D-Mark	5.59	(5.87)
Ecu	5.50	(5.77)
French franc	5.82	(5.99)
Guilder		
up to 5 years	5.45	(5.65)
5 to 8.5 years	5.80	(5.95)
over 8.5 years	6.25	(6.40)
Italian lira	5.17	(5.38)
Yen	2.40	(2.10*)
Peseta	5.81	(6.11)
Sterling	7.31	(7.60)
Swiss franc	4.10	(4.22)
US dollar		
up to 5 years	6.38	(6.74)
5 to 8.5 years	6.42	(6.77)
over 8.5 years	6.53	(6.83)

These rates are published monthly by the Financial Times, normally in the middle of the month. A premium of 0.2 per cent is to be added to the credit rates when long at bd. Interest rates may not be fixed for more than 120 days.

**The Japanese yen changed to 2.40 on January 19, 1998*

NEWS: INTERNATIONAL

Liberal Jews in court challenge to Chief Rabbi

By Judy Dempsey in Jerusalem and Richard Tomkins in New York

Divisions between Israel's Orthodox and liberal Jews sharpened yesterday when the liberal Reform and Conservative movements said they would appeal to the high court against the Orthodox Chief Rabbinate's monopoly of conversions to Judaism.

The liberals want the court to rule that non-Orthodox conversions can be registered as Jewish.

The Chief Rabbinate has rejected a compromise proposal aimed at ending the bitter dispute over the status of religion in Israel.

The dispute centres on who has the right to perform conversions to Judaism, currently monopolised by the Chief Rabbinate.

In Israel those converted by a non-Orthodox Rabbi are not considered Jewish and are not eligible for citizenship. This means they cannot marry, divorce or be buried in a Jewish cemetery since the Chief Rabbinate has the monopoly over these ceremonies.

The dispute has already strained relations between Israeli Jews and Jews in the diaspora, especially in the US where most Jews identify with liberal Judaism.

The American Jewish Congress, a New York-based organisation with about 50,000 members in the US, said the failure to agree a compromise could have "catastrophic consequences" for the Jewish community in the US and Israel.

"The whole purpose of this exercise was to preserve the unity of the Jewish community, and that has been delivered a shattering blow. That is a matter of great concern for all of us here," said Phil Maum, executive director of the Congress.

The compromise proposal would have given the Reform and Conservative Rabbis a say in preparing candidates for conversion through the establishment of a special institute. In return for partial recognition of these liberal strands of Judaism, the actual conversion would have been carried out by the Chief Rabbinate, leaving their monopoly intact.

The Chief Rabbinate said if it accepted any other conversions, it would lead "to disastrous results of assimilation". The Rabbinate's outright rejection of a compromise drawn up by Yaakov Neeman, the finance minister, surprised the Reform and Conservative Rabbis. They said the Orthodox movement had "declared war" on their movements. "We have no choice but to return to the courts and demand that non-Orthodox conversions be registered as Jewish," said Rabbi Uri Regev, head of the Reform movement.

The Chief Rabbinate, however, went much further than simply rejecting any participation by Reform and Conservative Rabbis in preparing candidates for conversions.

In a statement, it said it would demand "the exclusivity of conversion in accordance with the Halacha (the Jewish religious law) be enacted into law and receive legal force."

Orthodox parliamentary deputies last year began proceedings to legalise the status quo, sparking anger among diaspora Jews who provide substantial political and financial support to Israel.

Any attempt to make the status quo legal would alienate Israel's Reform and Conservative movements as well as tear Israel and diaspora apart. It could also destabilise Benjamin Netanyahu's coalition government since it is dependent on the religious parties for its survival.

Mr Maum said the decision affected the diaspora "because there is a sense of irritation, and even hostility, at the rules that apply in Israel". "There is a sense of antipathy and antagonism between the various sectors of Judaism, and I think that is unwholesome for everyone," he said.

Although the decision did not directly affect Jews in the diaspora, Mr Baum said, Jews in the US felt that, by implication and inference, it applied to them.

"Even though it doesn't change their lives in any way, it seems to have cast some aspersions about their legitimacy as Jews. It's more emotional than rational, but none the less it's a fact that has to be contended with."

Ultra-Orthodox Jews at a gathering in Jerusalem. Liberal Jews are challenging the Orthodox control of conversions

NEWS DIGEST

Jackson in plea to Congo

Jesse Jackson, US special envoy, said yesterday that Congo (formerly Zaire) should lift a ban on political activity and set up independent courts if it wanted to normalise relations with the world. President Bill Clinton's special envoy for democracy and human rights in Africa was speaking at the residence of the US ambassador in Kinshasa after meeting popular opposition figure Etienne Tshisekedi. "There's a real concern about the unbanning of political parties, a real concern about the United Nations having access to all of the country and that voices of dissent are not seen as voices that are disloyal," he said.

The US is said to be increasingly concerned at the ability of President Laurent Kabila's administration to maintain control of the vast, dilapidated country. Religious and political leaders as well as trade union and human rights activists have been jailed recently. Two senior political allies of Mr Tshisekedi were sentenced last month to two years in prison by a military tribunal on charges relating to the ban on political activity. During the war against the Mobutu regime, the US was seen as one of Mr Kabila's main backers. *Reuters, Kinshasa*

■ ALGERIA'S 'DISAPPEARED'

US group accuses regime

Human Rights Watch, a US-based human rights organisation, said yesterday that more than 1,000 Algerians had "disappeared" since 1992 after arrest by government forces. It urged the government to release all those arbitrarily detained and called on the European Union to demand information about people who had disappeared. "Today hundreds and perhaps thousands of families are searching for loved ones who went missing as long as as 1993 and 1994," it said. The National Observatory for Human Rights, which reports to Algeria's presidency, says abductions attributed to the government are exceptional and many cases of "disappeared" people are terrorists who went underground or were others abducted by terrorists disguised as security forces. But Human Rights Watch said yesterday that while abductions by armed opposition groups fighting the government since 1992 are a "grave human rights problem in Algeria", there was also "overwhelming evidence that the security forces are responsible for many hundreds of unresolved cases of disappearances". *Roula Khalaf, London*

■ NIGERIAN BUREAUCRACY

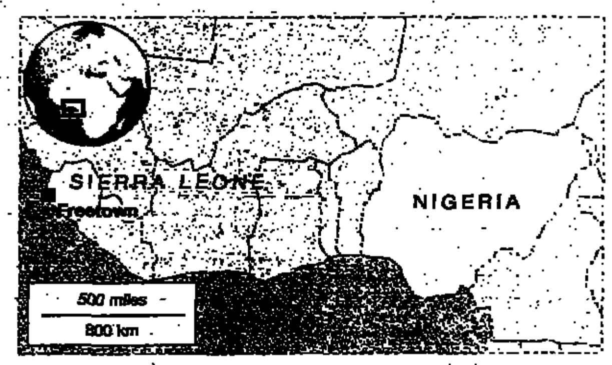
250,000 face dismissal

Nigeria's military government is to cut 30 per cent of its civil service with the loss of up to a quarter of a million jobs, officials said yesterday. "We don't know the exact size of the civil service. It is more than 700,000 and could be more than 800,000 people. . . I can confirm that 30 per cent of them are to be retrenched," a senior official said. A statement from the presidency at the weekend said the civil service was to be reduced in line with recommendations from a panel set up to reform the state sector, but it did not give figures. In line with the recommendations of the Allison Ayida panel, pay for remaining members of the civil service will then be increased in an effort to increase productivity from the notoriously inefficient bureaucracy, the official said. *Reuters, Lagos*

Nigerian-led force marches into Freetown

By Michela Wrong

A Nigerian-led intervention force was yesterday reported to have fought its way into Freetown, Sierra Leone's capital, in the most serious of its attempts to topple the military junta that seized power in the West African state last May.



Eyewitnesses said thousands of civilians laden with household possessions were streaming into the city centre to escape the advance by Ecomog, the West African force which groups 16 states but is heavily dominated by Nigeria.

Ecomog has been shelling the eastern suburbs relentlessly since last Thursday when it launched what the Nigerian chief of staff has described as a "total offensive" on military leader Johnny Paul Koroma, dashing any hopes that a ceasefire agreed by both sides last year could be revived.

Roads to the interior were littered with corpses, houses on the outskirts were still burning after heavy overnight bombardment and the wounded were being carried in pushcarts or ferried by taxi to Freetown's Connaught hospital.

The United Nations High Commissioner for Refugees said 7,000 refugees were believed to be heading for neighbouring Guinea by sea and it was bracing for a fresh wave of arrivals to join the 250,000 Sierra Leone refugees already camped there.

Last October's negotiated agreement provided for Mr Koroma to stand down by April 22 and hand power to Ahmad Tejan Kabbah, the democratically elected president he ousted. But neither side ever showed serious signs of trying to implement the deal.

As the fighting escalated between the intervention force and Sierra Leone troops yesterday, there were growing signs that neighbouring states were being sucked into the conflict.

Corroborating claims by the Nigerian military, local reporters said they had seen thousands of fighters loyal to Liberian President Charles Taylor crossing the border to fight on Mr Koroma's side.

In the south-east of the country, members of the militia known as the Kamajor, who want the civilian administration reinstated, were reported to be fighting on Ecomog's side. They had surrounded Bo and attacked the diamond-producing town of Kenema.

Despite being humiliated during its first battlefield encounter with the junta last year, the Nigerian military regime of Sani Abacha has managed to make considerable diplomatic capital by playing the role of regional policeman.

It brokered the peace deal on the eve of last November's Commonwealth conference, helping to mute criticism of Abuja's own poor human rights record and the failure to return Nigeria to civilian rule.

Regional analysts said support from Commonwealth countries such as Britain, plus the US, could well be undermined if the latest drive to crush Mr Koroma proved costly in civilian lives and failed to bring an early end to the conflict.

UN Secretary-General seeks diplomatic solution to Iraq crisis

Annan takes centre stage in bid to head off air strike

By Laura Silber at the UN in New York

Kofi Annan, UN Secretary-General, yesterday took centre stage in an effort to avert the use of military force against Iraq.

Facing his biggest world crisis since he took office in January 1997, Mr Annan rolled up his sleeves to work on finding a diplomatic end to the stand-off with Iraq over UN weapons inspections. "The secretary-general has cleared his calendar for today in order to focus on Iraq," said Fred Eckhard, UN spokesman.

As part of his attempt to "weave together" various diplomatic initiatives, Mr Annan yesterday met Richard Butler, chief UN weapons inspector charged by the UN with dismantling Iraq's arsenal of deadly weapons, and Alain Dejammet, French ambassador to the UN. Since the crisis erupted he has also talked with Iraqi officials at the UN in New York and Baghdad.

The secretary-general, Mr Eckhard said, "continues to talk to the parties that... have discussed with the government of Iraq possible solutions. Those parties have also been talking with each other."

Mr Annan is facing an international crisis with a deeply divided Security Council and is doing his best to satisfy both hawks and doves.

The US and Britain, on one hand, favour military action unless President Saddam Hussein of Iraq complies with UN demands to allow immediate, unrestricted access to suspected weapons sites. The three other permanent members – Russia, China and France – strongly oppose the use of force.

"To move forward everyone has to show some flexibility," Mr Annan told the BBC.

"If we maintain fundamentalist or purist positions all around, we will not find a solution. I appeal for that kind of courage, that kind of wisdom that will allow us to get out of this."

Seasoned UN observers yesterday doubted Mr Annan's efforts would yield fruit because of deep divisions in the Security Council. "The Council members can't even agree on lunch, much less Iraq," said one.

Yesterday he came under criticism from Iraq for "carrying out America's orders" after he postponed a long-planned 10-day trip to the Middle East, saying he must remain at UN headquarters in New York and devote his attention to the Iraqi crisis.

Mr Annan has come under considerable pressure from Iraq's allies on the Security Council, including Russia, to visit Baghdad.

Iraq provoked the latest crisis, when it barred UN disarmament (Unscom) teams from access to suspected weapons sites.

Mr Annan offered his good offices to defuse the conflict last week . On Friday several Council members asked him to consider intervening. Costa Rica even sent a formal written request.

Boris Yeltsin, Russian president, on Monday stepped up pressure on Mr Annan by announcing that the secretary-general planned to go to Baghdad to seal a Russian-mediated compromise deal with Iraq.

The Russian leader's statement prompted immediate denial from Mr Annan. When asked if he would travel to Baghdad, he responded: "Not yet".

UN officials said he was wary of repeating the ill-fated mediation efforts of Javier Perez de Cuellar, the former UN secretary-general who visited Iraq on the eve of the 1991 Gulf War. "He is ready to go to Baghdad. But he will only go if he has reasonable hope of a diplomatic solution," said one official.

He also wants to avoid repeating the humiliation of last November. When the last big crisis with Iraq erupted, Mr Annan sent a delegation to Baghdad which returned empty-handed.

Mr Annan yesterday said: "It ought to be possible to find an arrangement that would allow Unscom and the United Nations to carry out its work without the total humiliation of the regime."

US hits back at Turkey claims over lack of Iraq consultation

By John Barham in Ankara

A senior US official yesterday hit back at Turkish criticism that Washington was ignoring Turkey, a Nato member and valued US ally, during its high-level consultations with regional leaders.

The official said: "We have been at pains to establish a process of consultation [with Turkey] to avoid anyone saying that they have been kept in the dark."

This week, Mesut Yilmaz, prime minister, complained that Washington had not paid sufficient attention to Turkey. He said: "We had expected a more sincere and productive dialogue with the United States over the policy against Iraq. That has not been done to a sufficient degree so far."

Turkish officials have said they are disappointed that Washington has sent relatively junior US officials to brief the government on the crisis in Iraq, while it has sent several cabinet-level officials to Arab and European states.

William Cohen, US defence secretary, postponed a visit to Ankara planned for this week.

Turkey's fragile coalition government has so far reacted ambivalently to US calls for support. Mr Yilmaz, who heads the conservative Motherland party, has supported Washington's policy towards Iraq, while Bülent Ecevit, deputy prime minister and leader of the Democratic Left party (DSP), has criticised the US.

The government has said it would not allow the US to use the large joint Turkish-US base at Incirlik in southern Turkey to attack targets in Iraq.

The US official said: "We are not asking for anything now. But it is important that everyone speaks with the same voice and the word to Saddam is 'compliance'." Washington was aware that Turkey "took some serious hits during the [1991 Gulf] war by being on the winning side." US and allied aircraft used Incirlik to bomb Iraq during the war. The base is now used by British, Turkish and US jets to enforce a no-fly zone over Kurdish northern Iraq.

US officials are heartened by Mr Yilmaz's repeated statements calling on President Saddam Hussein to comply with UN sanctions. After criticising Washington's apparent indifference to Turkey, Mr Yilmaz said: "We request that Iraq totally comply with UN decisions."

He said: "It would be helpful if the United Nations announces that it will lessen and gradually lift the economic embargo to save Iraq's honour. This would give Saddam room to manoeuvre".

Turkish officials say the country has lost some $35bn in trade with Iraq since the UN imposed economic sanctions in 1990, although observers say the true figure is probably lower.

Indian cellular groups defend regulator

By Krishna Guha in Bombay

Cellular telephone companies yesterday claimed India's department of telecommunications was trying to clip the wings of the country's independent telecoms regulator.

T.V. Ramachandran, vice-chairman of the Cellular Operators Association of India, said: "We have heard that the department is attempting to curb the powers of the regulator in areas of licensing."

He said the department's apparent move to amend the act under which the regulator was set up last year was "the biggest issue of concern to the industry". In recent months the department has challenged in the courts several rulings by the Telecoms Regulatory Authority of India – the country's only independent regulatory authority.

Mr Ramachandran said the development was a "retrograde step" which would affect "liberalisation in its totality". He said investors would avoid areas such as power unless they were confident of the regulatory bodies' status.

Foreign companies that have set up joint ventures with Indian partners to provide cellular services since India opened the sector to private competition two years ago, include Telstra of Australia, US-West and AT&T of the US and BT of the UK.

Richard French, chief executive of Tata Cellular, one of 22 joint venture mobile phone companies operating in India, said: "If neutral regulation is not something India is prepared to live with it is going to be a very significant disincentive to investment here."

The mobile phone companies fear that if the department of telecommunications succeeds in trimming the regulator's powers, it will act as "judge and jury" in areas where it has a commercial interest.

The tussle is the latest of several turf battles between the department and the regulator. These culminated last month when the regulator ordered the state-owned telephone company Mahanagar Telephone Nigam (MTNL) to freeze plans to launch a cellular phone service until it heard a challenge from private mobile phone operators. The hearing resumes today. The department of telecommunications – which has close ties to MTNL – strongly opposes the review.

The 22 joint venture companies almost without exception over-estimated demand for mobile phone services – and bid too highly for their licences. All 22 are loss-making. The companies have 800,000 subscribers – but the volume of calls remains low. As a result, the companies are struggling to pay licence fees, and some face difficulties raising debt.

Anwar denies he sought financial help from Japan

By Bethan Hutton in Tokyo

Anwar Ibrahim, the Malaysian finance minister, yesterday criticised Japan for its slow response to financial crises at home and in the region, but denied he had sought financial help for the Malaysian economy.

Malaysia has been a notable casualty of the regional financial turmoil but has not sought outside help. Its neighbours, Thailand, South Korea and Indonesia, have agreed to rescue packages designed by the International Monetary Fund.

After talks with Japan's new finance minister, Hikaru Matsunaga, Mr Anwar said he was encouraged by Japanese steps being taken to stimulate domestic demand, but criticised Japan's market barriers to Asean members.

"How do you expect countries like Malaysia, Thailand and Indonesia to open their economies when you have your big, giant, friendly neighbours taking a limited option or moving in the opposite direction?"

Mr Anwar said talks with Japanese finance officials had led to a "major breakthrough" on collaboration to stabilise regional currencies by Japan, Singapore and Malaysia. He would not give details.

The subject of a Japanese plan for a fund to stabilise the Indonesian rupiah was also discussed.

Bank of Tokyo-Mitsubishi, Japan's largest bank and one of Indonesia's main creditors, yesterday proposed that regional governments, and possibly also financial institutions, should set up a fund to allow Indonesian companies to trade rupiahs for dollars at a favourable rate. Companies could buy dollars at a rate of Rp5,000 this year, on condition that they reversed the transaction a year later.

This would enable companies to remain afloat, reduce volatility in the foreign exchange markets and put pressure on the market dollar exchange rate to move closer to Rp5,000, which is the level on which most Indonesian companies would continue to be viable. Such a fund would need capital of about $10bn to $15bn, the bank said.

Mr Anwar, who is in Tokyo on behalf of the nine-member Association of South East Asian Nations (Asean), contrasted Japan's response to the regional financial crisis with that of the US, which has sent several prominent delegates to Asean member countries to restore confidence.

Bank of Japan acts fast to head off corruption taint

Reports of employees getting lavish entertainment from private sector banks has prompted it to investigate the conduct of 600 staff members

The venerable Bank of Japan is acting quickly to resist being tainted by a corruption scandal that has humbled its rival, the Ministry of Finance.

Although the bank has not been raided, it was so alarmed by weekend reports that two employees had received lavish entertainment from private sector banks that it has pre-emptively announced a probe into the conduct of 600 of its officials.

Yet the bank may have less reason for panic than the finance ministry. For though the allegations look strikingly similar to those that have humiliated the ministry, they come at a time when the central bank is in a stronger position than its rival. Though the bank is unlikely to avoid being sucked into the scandal, it may yet emerge less damaged by the affair than the ministry.

This is because of a quiet shift of power that has occurred in Tokyo recently.

For decades the central bank has been seen as a lesser partner to the mighty Ministry of Finance.

Although the bank had huge influence in the markets, it did not have the right, for instance, to set an independent interest rate, determine exchange rate policy or even exercise ultimate responsibility for banking supervision. These powers lay with the finance ministry. But this is shifting. One reason is the ministry itself has been lambasted for policy mistakes.

Another reason is that parliament last year passed a law giving the bank independence over monetary policy from this April.

Just how "independent" the bank will now prove is unclear: though the ministry will not have any formal powers over rate decisions, it may retain influence through Japan's traditional informal bureaucratic channels.

But the change in status move has one key significance – it has left the BoJ's institutional role already clearly defined.

This is in sharp contrast to the ministry, which is due to be reorganised as part of Prime Minister Ryutaro Hashimoto's reforms.

This difference has already left the bank exuding a markedly more confident air than the finance ministry.

The bank may therefore be better equipped than the ministry to fight off attempts by politicians to use the scandals to justify reducing its powers, since these are already fairly clearly defined.

But there is a further reason for the bank's greater confidence: its effective handling of the financial turmoil that erupted when Yamaichi Securities and two other large financial institutions collapsed last November.

Bank officials claim the turmoil is already over, after they flooded the markets with Y10,000bn ($81bn) worth of liquidity to ease funding problems.

As Tadayo Homma, executive director, said: "There was a crisis in November... but there is absolutely no financial crisis now."

However, fears about the strength of some financial groups is reflected in the premium that Japanese banks pay to borrow dollars on international markets, which is a measure of the uncertainty that still attaches to the domestic financial sector.

But the bank's role has won respect from other central bank officials. "The Bank of Japan has behaved calmly and competently. That cannot be said about other parts of the government," said one.

And, most strikingly, the bank's performance has not been criticised yet by the public.

This is in sharp contrast to the ministry, which has been made the scapegoat for its role in the recent turmoil.

Gillian Tett

NEWS DIGEST

High bid for Tokyo land

One of Tokyo's most prominent plots of land was sold to two Japanese companies for more than Y300bn ($2.4bn) in an auction yesterday, far lower than its peak valuation but more than 40 per cent more than was paid for a similar block last year.

The 1.2 hectare plot on the prestigious Marunouchi side of Tokyo station went for the equivalent of Y25m a square metre.

Steven Weiler, property analyst with Jardine Fleming Securities in Tokyo, said the price paid for the Marunouchi block exceeded his expectations, but normal zoning laws on the ratio of land area to floor space appeared to have been relaxed.

Mitsubishi Estate and Nippon Life Insurance jointly bought the site on which they plan to build two office blocks and a hotel and shopping centre. Mitsubishi group companies already own a large proportion of land in the Marunouchi area.

The site housed the headquarters of Japan National Railways, the rail company privatised 10 years ago. The government is keen to achieve good prices for the former JNR land in part to repay the Y28bn in debts left with JNR Settlement, a state-run body established to handle the debts of the JNR group. *Bethan Hutton, Tokyo*

■ PROPERTY PRICES

Thai rents fall 30%

Thailand's property bubble is beginning to deflate with the capital value of office space in Bangkok falling 30 per cent in the past six months on the back of declining rents and soaring vacancy rates, real estate consultants Jones Lang Wootton said yesterday. Rents for prime office space fell 18 per cent to Bt432 ($9) a square metre in the period from June to December of last year.

Apartment prices nominally remained steady but many developers were offering cash buyers discounts of up to 50 per cent. The market was nearing bottom as 70 per cent of units originally scheduled to come on the market had been cancelled.

Falling rents are attracting multinational companies to Bangkok for regional headquarters. Air France, Makro of the Netherlands and Taiwan's Chunghwa Telecom have all recently announced plans to locate Asian regional offices in Bangkok. *Ted Bardacke, Bangkok*

■ PHILIPPINE AGREEMENT

Telecom unions agree deal

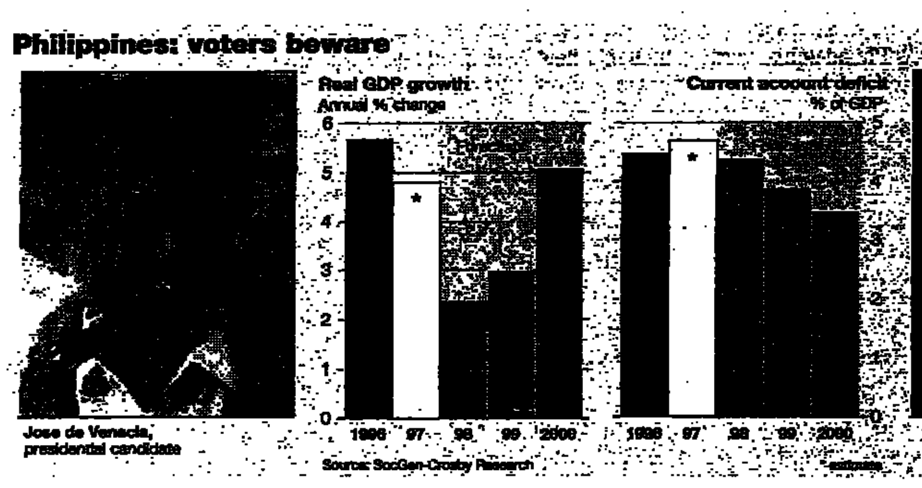
Philippine Long Distance Telephone Company, the country's largest telecoms group, yesterday said its management and labour unions had reached a three-year agreement that would put an end to strikes. The agreement covers the period from November 1997 to November 2000 and includes a one-off bonus payment and defined wage increases until late 1999. The company, which has been implementing aggressive cost-cutting since 1995, has been hit recently by labour unrest. *Justin Marozzi, Manila*

Asian turmoil passes Philippines...so far

Freedom from financial excesses has helped, but political greed is a threat. Justin Marozzi reports

Whoever succeeds Fidel Ramos as president of the Philippines, after an election campaign that officially kicked off yesterday, will inherit an economy less buffeted by the Asian crisis than its neighbours.

In spite of the peso collapse and soaring interest rates, fourth quarter gross domestic product growth reached 4.7 per cent, taking the full-year figure to 5.2 per cent. That comfortably exceeded the International Monetary Fund's forecast of 4.4 per cent. Earlier this week, the government announced export growth of 23 per cent in 1997, representing the fourth consecutive year of high growth.



Economists consider the Philippines the least damaged of the Asian economies. Partly, this is because the country did not experience the decade of high growth rates enjoyed by some of its neighbours. As a result, financial sector excesses are not as pronounced, and in particular banks' exposure to the property sector has been correspondingly lower.

The Ramos administration has made solid progress, with structural reforms, under the supervision of the IMF, with a raft of deregulations, privatisations, and a revamped tax collection system designed to ensure dependable revenues. Yesterday Mr Ramos signed a new oil deregulation law, although it remains to be seen whether it satisfies IMF conditions. Corruption could remain a problem, but the sort of cronyism which has done so much harm in South Korea and Indonesia has long gone.

While Korea, Thailand and Indonesia continue to digest the tough reforms required under their massive IMF lending programmes, the Philippines will soon begin negotiations with the fund for new funding. Mr Ramos is hoping for a $2.7bn arrangement.

The extent of economic slowdown also singles out the Philippines from most of its neighbours. Neil Saker, head of regional economic research for SocGen Crosby in Singapore, is forecasting GDP growth of 2.4 per cent this year. This compares with growth of 2.8 per cent in Malaysia and contractions of 2.3 per cent for Korea, 3 per cent for Thailand and 5 per cent for Indonesia.

National elections in May, however, hang heavily over this outlook. Elections in the Philippines tend to involve large increases in public spending – in 1992, the last election year, government spending rose by 56 per cent, said one economist. And there is also the prospect of a new president less committed to the process of economic reform. Joseph Estrada, the populist vice-president who has said income redistribution is a priority, is still the man to beat in the polls. His election would put a significant question mark over the recovery process.

Other leading candidates are seen as unimpressive. Jose de Venecia, the House Speaker and the candidate endorsed by Mr Ramos, has conspicuously failed to inspire confidence with the business community because of his long-standing reputation for backroom dealing. Question marks also surround Alfredo Lim, the mayor of Manila nicknamed "Dirty Harry" for his controversial approach to crime busting.

In the now adjourned Congress, the spirit of electioneering is evident with populist posturing over the budget and a proposed new subsidy for oil prices. Ignoring the calls for fiscal discipline, it recently approved a 546bn pesos ($13.4bn) budget for 1998, a 26 per cent increase from last year. Worryingly, legislators awarded themselves "pork barrel" funds of 55bn pesos – congressional allowances for pet projects – an 80 per cent jump from their allocation in 1997 that they hope will be funded largely by a 24.5bn pesos cut in debt servicing.

"I am appalled that our legislators have ignored the frailty of our fiscal position," said Jose Cuisia, a former central bank governor, predicting a deficit of at least 24bn pesos in 1998. This would end a four-year run of budget surpluses and run counter to the IMF's reported target of a 27bn pesos surplus.

On the exchange rate, the market has also been upset by reported differences between Roberto de Ocampo, finance secretary, who favours lowering interest rates – which stand at 25-30 per cent – and Gabriel Singson, central bank governor, who prefers keeping them high to protect the currency.

The balance of payments position, meanwhile, will be hit by lower remittances from overseas workers, traditionally a backbone of the economy, reflecting a combination of job losses and hoarding of dollar earnings. One economist predicted that remittances will fall from an estimated $4.5bn last year to $3.1bn in 1998. This should be offset, however, by significantly reduced imports of capital goods. The trade deficit for the first 11 months of 1997 narrowed 11 per cent year-on-year to $9.87bn.

Exports will fall to about 8 per cent in 1998, according to Indosuez W.I. Carr, the stockbroker. Inflation, relatively subdued at 5.1 per cent last year, is forecast to rise to 13 per cent. The agriculture sector, which represents about 20 per cent of the economy, is also expected to contract under the effects of the El Niño weather phenomenon.

With the important qualification of elections in May, the recovery outlook for the Philippines appears relatively healthy. But, said Nicholas Kwan, head of regional economics at Merrill Lynch in Hong Kong: "For as long as the regional situation is not stabilised, there will still be a negative impact on the Philippines. The best you can argue is that it is less damaged than its neighbours, but no-one can escape. The region is simply too closely bound together."

CONTRACTS & TENDERS

Soaring workforce avoids ugly split

By Victoria Griffith in Boston

The US is not fracturing into a two-tiered economy, split between elite high technology workers and low-paid unskilled labour, according to a study released yesterday by the Educational Testing Service (ETS).

Rather, says the research, employment growth is being driven by traditional white-collar jobs in management and financial services.

"The media-driven vision [of the two-tiered work force] obscures the importance of the office economy," says Anthony Carnevale, author of the report and vice-president of ETS, which runs standardised tests for high schools and universities. Mr Carnevale defines the "office economy" as jobs in administration, financial services, management and business.

The report calls the office sector, which employs 41 per cent of American workers, the fastest growing section of the market. Such positions accounted for 59 per cent of the 26m new jobs generated between 1970 and 1995.

Office jobs are the highest paid in the economy, generating average individual earnings that are 47 per cent higher than in all other sectors combined.

Growth in the office sector has been particularly beneficial to women. In 1969, most college-educated women worked as nurses or school teachers. By 1995, just as many worked in the office as in health or education. Because they were taking higher paid office jobs, women's income rose sharply. Average pay for females with a university education has doubled in real terms since 1959, and has tripled for African American women with a university education. ETS reflects that office jobs seem to attract greater numbers of women than manufacturing positions. "As employment barriers have come down in the office, the pay increase for women has been dramatic," says the report. In 1959, a black female worker earned today's equivalent of just $7,400. Today, black women earn, on average, $21,000.

Even so, a wide gap remains between males and females, with men earning 72 per cent more than women on average; and between the races, with white men earning 32 per cent more than black men with an equal education.

The ETS study confirmed the decline of US manufacturing in terms of overall job growth, and said the gap between university-educated workers and those with a high school degree or less continues to expand.

About 75 per cent of university-educated office workers are in "elite" positions, defined as non-clerical and non-secretarial. An overall increase in US worker pay is largely due, says ETS, to the rapidly expanding pool of employees with higher education.

"This study shows that increasing educational levels should be a priority if the US wants to boost its workers salaries even more," said Nancy Cole, president of ETS.

Argentina says it has beaten Asian crisis

By Ken Warn in Buenos Aires

Argentina has already overcome the effects of the Asian financial crisis and its economy will grow strongly in 1998, Alieto Guadagni, industry secretary, said yesterday.

Mr Guadagni said industrial production would grow by about 6 per cent this year, and the economy would continue to generate fresh jobs.

One of the main grounds for optimism was the fall in interest rates from their peaks immediately after the Asian crisis.

The country risk premium, as measured by the spread between Argentina's par bond and US treasuries, had fallen from 821 basis points in the immediate aftermath of the crisis to only 485 basis points now, he said.

The fall takes the country risk premium to less than it was a year ago, although this is still above its pre-crisis level of 361 basis points.

Local banks' interest rates for their top Argentine corporate clients had fallen to 10 per cent this month from a peak of 15.7 per cent last November.

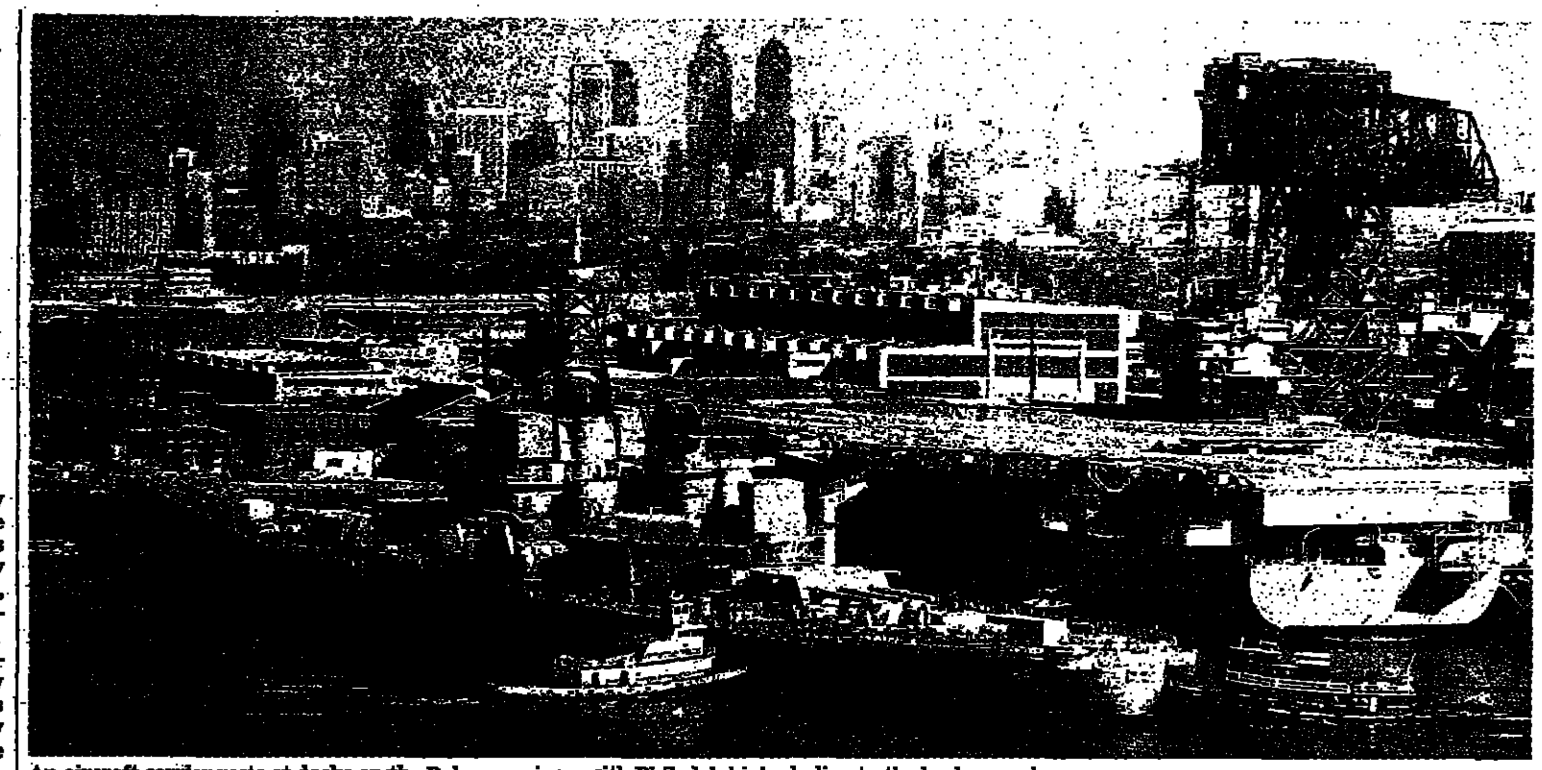
The banking system had also shown no signs of weakening, Mr Guadagni said, rather the reverse. In the first 100 days since the crisis began, bank deposits had risen 7.5 per cent, or almost $5bn.

This contrasted with the first 100 days after the start of the "tequila" financial crisis in December 1994, when deposits fell 15.6 per cent, or over $7bn.

Big companies' investment plans were also unaffected by the recent international financial turmoil, Mr Guadagni said. The cereal harvest forecast for the 1997-98 season, expected to reach a record 61m tonnes, was another reason for optimism.

Mr Guadagni refused to be drawn on the prospects for the trade deficit.

Last week Argentina reported a 1997 trade deficit of almost $4.9bn, compared with a surplus of $49m the previous year.



An aircraft carrier rests at docks on the Delaware river, with Philadelphia's skyline in the background AP

Philadelphia seeking a relaunch

Public money has lured Norway's Kvaerner to revive a naval shipyard

Richard Waters on a plan for industrial redevelopment that has upset domestic rivals

The peeling hulk of a disused aircraft carrier stands alongside the deserted dock on the Delaware river, a fitting symbol of the desolation left by naval base closures across the country since the mid-1990s. A mothballed fleet of 54 other ships rests nearby, stranded by the cold war's retreat.

According to Kvaerner, the Norwegian industrial group, this shabby site on the fringes of Philadelphia will one day be a force in the revitalisation of the US shipbuilding industry. More than $400m of public money has been staked on the outcome – one of the biggest inducements ever offered to a foreign company in the US, and a source of considerable dismay to domestic shipyards.

The European company late last year signed a formal agreement that will see redevelopment of the former naval shipyard begin this year, with the first vessel due to roll down the slipway in 2001.

By any standards, the public subsidies that will be poured into the project are huge. City, state and federal governments have supported a scheme that is guaranteed to create only 700 jobs directly – though the city estimates that the yard will eventually employ 1,000 people, with at least as many jobs created indirectly at suppliers.

Mercedes Benz, by comparison, won public funding of around $250m to build its first US car plant in Alabama, a project that was expected to create 1,500 jobs directly. This caused a political backlash locally and, four years later, is still talked of with awe in US economic development circles.

Kvaerner itself has promised to invest $45m in the Philadelphia yard – though it will receive a $80m low interest rate loan from the city as part of the deal.

The lengths to which Philadelphia has gone to win this project say something about the city's lingering economic weaknesses, as well as the political ambitions of its well regarded mayor, Edward Rendell.

The country's fourth biggest metropolitan area, Philadelphia was late to start rebuilding its employment base after the recession of the early 1990s, and has yet to recoup all the jobs lost. While industries such as healthcare and financial services have thrived, the city has not been able to restore the manufacturing base.

By its own measure, Philadelphia ranks only 24th among the 30 biggest US metropolitan areas in terms of the income and employment opportunities for its inhabitants.

A world-class shipyard would help. The city began courting Kvaerner more than two years ago, when an earlier agreement with Meyer Werft, a German shipbuilder, collapsed. Yet it is an irony of the project that, while Kvaerner claims its arrival in the US will inject a new level of competitiveness into the US shipbuilding industry, the new yard is being floated on an ocean of public money.

A jump in US orders for commercial vessels over the past three years has come at just the right time to soften the blow to the country's six big existing yards from the heavy cuts in US defence spending.

Now, though, they face the competition that will come from "a massive infusion of American taxpayers' money into a foreign company that has never paid any taxes here," says Cynthia Brown, president of the American Shipbuilding Association, which represents the six.

The domestic yards complain that Kvaerner will not create any jobs in the US shipbuilding industry, only replace existing ones. Under the Jones Act of 1920, only US-built ships can carry cargo or people between US ports – a limitation that has in effect shut the nation's shipyards off from international competition. If some of those ships are built in Philadelphia, the chances increase that one or more of the other yards will close.

After a 15-year dearth of new ships, the fleet protected by the Jones Act is ageing fast and orders have begun to mount up. American yards will build 40 new double-hulled tankers and 35 dry cargo vessels over the next 15 years, predicts the ASA.

Kvaerner executives say it is this protected market, and the big subsidies, that have brought the company to the US. And, while the US Congress has yet to enact a 1994 agreement of the Organisation for Economic Co-operation and Development to equalise opportunities between yards in some of the biggest producing countries, the company is confident the Jones Act protections will remain a fixture of the US shipbuilding industry.

The financial support, and the ability to install the latest technology, should give Kvaerner an advantage over local rivals. But the company claims that it will be the working practices and other techniques learnt in its 11 other shipyards around the world that will give it the biggest edge.

Rather than the rigid demarcation of jobs still common in US yards, the site on the Delaware will follow the same team-based methods as other Kvaerner yards, says Martin Saarikangas, president of the company's shipbuilding operations. "We don't have cleaning teams in our shipyards: everyone cleans up for himself."

Lars Traaseth, vice-president for shipbuilding at Kvaerner, adds: "Introducing a new European work style – and a new competitiveness to the US shipbuilding industry – will benefit everyone."

That view draws a sour response from domestic yards that do not benefit from the same financial incentives.

Yet Kvaerner seems right about one thing: US yards have not been able to compete in world markets for years. Of the 17 commercial vessels currently under construction in US yards, all but three are destined for the protected Jones Act fleet, according to the ASA.

If the Norwegian company succeeds in its promise to build a yard in Philadelphia that can compete with the world's best, the cost of public support may not look quite so high.

NEWS DIGEST

Clinton warned on IMF funds

President Bill Clinton will face an uphill struggle to convince Congress to authorise an extra $18bn for the International Monetary Fund, according to Senator Jesse Helms, chairman of the Senate foreign relations committee.

At a committee hearing addressed by Madeleine Albright, the secretary of state, Mr Helms said he regretted that the administration was seeking the IMF money in a supplementary bill, as opposed to letting Congress consider it as part of the normal budget process.

"My feeling is that the Clinton administration will face an uphill battle in persuading Congress and the American people that the IMF's deadly prescription of higher taxes and higher interest rates is a proper cure for what ails failing Asian economies," the senator said. He said he personally would oppose giving any extra money to the IMF unless it was prepared to open its accounts to congressional scrutiny.

In an exchange with Mrs Albright, Mr Helms said leading Asian politicians had recognised that a lack of democratic procedure, as well as economic mismanagement, was responsible for the financial crisis in that region.

Mrs Albright agreed that US policy should aim at promoting democracy as well as economic reform. In Indonesia, she said the US would encourage pluralism in economic and political life. *Bruce Clark, Washington*

■ PHONE SERVICES

AT&T gives up local bid

AT&T and other US long-distance telephone companies have abandoned one of their main efforts to break into local services because they have been unable to obtain access to local telephone lines at prices low enough to be profitable, the company's chief executive officer said yesterday.

"AT&T is not going to spend money on this fool's errand," said C Michael Armstrong, in his first Washington appearance in the job. However, he told a telecommunications conference on Capitol Hill, the two-year old Telecommunications Act should be given more time to work.

The new AT&T chief said his company had spent $3.5bn in the past two years trying to buy or lease local phone lines from the Bell monopolies. Abandoning those efforts was one of Mr Armstrong's his first acts after joining the company late last year. *Nancy Dunne, Washington*

■ ROAD RISKS

Light trucks 'more dangerous'

The large sport utility vehicles and pick-up trucks that have proved so popular among Americans in recent years are far more likely to cause death when involved in accidents with smaller vehicles, according to a study by a US insurance industry group.

The Insurance Institute for Highway Safety said it hoped its findings would "help establish priorities for future vehicle design improvements" to make these light trucks less lethal when involved in a crash with another vehicle. When a car collides with a light truck, people in the car are four times more likely to die than people in the truck, the Institute added.

The agency's research had already established that the light trucks, which now account for 45 per cent of new vehicle sales in the US, cause more damage in an accident, because of their weight and height from the ground.

A spokeswoman for the group added, though, that the danger posed by most sport utilities might still be less than had been thought, despite its latest findings. In general, the biggest problems rest with the very largest sport utilities, which have recently become popular with suburban American families. *Richard Waters, New York*

■ CAMPAIGN FUNDS

Report contradicts Gore

A draft of the final Senate report on fund-raising abuses in the 1996 presidential election suggests that Vice President Al Gore and some top campaign advisers mis-stated their fund-raising activities and that several Democratic money men were connected with the Chinese government.

A section of the draft report said the Senate governmental affairs committee collected evidence making it obvious "that despite his various denials," Mr Gore "was well aware" that an event he attended at a Buddhist temple near Los Angeles in April 1996 was designed to raise money for the Democratic party.

Mr Gore originally said he thought the event was community outreach, but later acknowledged he knew it was donor-related and that his staff failed to tell him it was a formal fund-raiser. The Senate committee, which compiled the report following hearings and interviews last year, also concluded that President Bill Clinton's top political aide at the time, Harold Ickes, illegally "seized the reins of financial power" at the Democratic National Committee to "squeeze as much money" out of the party as possible for the 1996 re-election campaign.

The White House dismissed the committee's findings as politically motivated. *AP, Washington*

Hint of caution as president's report lauds past performance and future economic prospects

Economists give America a big pat on the back

Finding new superlatives and muscular metaphors to describe the US economic performance of the late 1990s has become one of the main challenges for the authors of the Economic Report of the President in the last few years.

Yesterday, Janet Yellen, who chairs President Bill Clinton's Council of Economic Advisers, which publishes the annual report, came up with a few that seemed to do the job.

"The performance of the US economy has been extraordinary: strong growth and low unemployment combined with low and stable inflation... Our economy is in fundamentally sound shape and well-equipped to handle any bouts of rougher weather," she said.

The self-congratulatory tone reflects the undeniably impressive economic facts that last year the US economy grew by 3.9 per cent, creating 3.2m jobs and reduced the unemployment rate to 4.7 per cent by the end of the year.

In spite of this surging demand, inflation actually fell – consumer prices at the end of 1997 were up by just 1.7 per cent on a year earlier.

But Ms Yellen and her team of two other august economists are candid enough to acknowledge that "exceptional" is probably the most apt description of what has happened in the last year or two. Though they say the magical run of strong growth and low inflation could continue, like most mainstream economists they are not counting on it.

Growth is forecast to be just 2 per cent per year for the next three years, and inflation is expected to stabilise at about 2.2 per cent.

"We would be delighted to see a higher rate of growth and I would emphasise that our forecast is not the best we feel the economy could do," Ms Yellen said. "It's what we think is a responsible forecast for the purposes of our budget."

But the caution also reflects the fact that the council is not yet ready to join the ranks of those economists who have declared that the US has achieved a new trajectory of growth that will enable the economy to expand faster without stoking inflation.

Ms Yellen and her colleagues continue to believe the long-term potential rate of growth is about 2.4 per cent. In fact the report explicitly rejects the notion that the economy has entered a "new era". "Many such assessments are extreme and unsupportable," it says.

It nods politely in the direction of "new age" theorists by accepting there have been changes that could have longer term implications – the growth of global competition, deregulation, labour market changes, and rapid advances in information-technology related business.

But overall it cautions: "One cannot declare with any certainty the old rules no longer apply."

Ms Yellen repeats the administration's economic mantra that recent successes owe much to the pursuit of Mr Clinton's three pillars of New Democratic policies: fiscal discipline – which will result next year in the first balanced budget in a generation; opening markets through international trade accors; and improving quality and availability of education.

These are credited at least in part with one striking aspect of recent economic performance that may explain why the economy has enjoyed low-inflationary growth – the role of investment. In the current expansion, capital formation has been responsible for a much higher proportion of the growth recorded than in any previous period of growth. Meanwhile government spending has hardly contributed to growth at all.

The report also highlights some familiar problems that could cloud medium and long-term performance. This rapid growth in investment has not been financed by increases in domestic savings.

In fact personal savings have declined further from 4.3 per cent of income in 1996 to 3.8 per cent last year, as borrowing – especially mortgage debt – has risen and confidence – driven by a rising stock market has soared.

This continuing weakness of domestic savings – which explains the widening current account deficit – is one reason Mr Clinton is making long-term budget reform his main domestic priority. The report endorses his call for efforts to shore up social security – the state pension scheme – but also makes the point that a much bigger long-term crisis confronts Medicare – the health insurance programme for the elderly.

Though the council points to the progress made in addressing some of the problems associated with the most familiar weakness of the American economic model, inequality, it argues that more needs to be done in two main areas.

Child poverty has declined in recent years, but is still rife. One in five children lives in families with incomes below the poverty level – one in two children in female-headed families. One in seven children does not have access to medical insurance.

And while the median income of black families has risen more sharply than those of whites in the last four years, earnings and wealth gaps between whites and non-whites are still large. "Clearly, more needs to be done to promote equality of opportunity for all Americans," said Ms Yellen.

Gerard Baker

US: Administration forecast

	1996[1]	1997[1]	1998	1999	2000	2001	2002	2003	2004
Real GDP (growth)	3.2	3.9	2.0	2.0	2.0	2.3	2.4	2.4	2.4
Consumer price index (% chg)[2]	3.2	1.9	2.2	2.2	2.3	2.3	2.3	2.3	2.3
Unemployment rate	5.4	4.9	4.9	5.1	5.3	5.4	5.4	5.4	5.4
Interest rate 91-day Treasury bills[3] (%)	5.0	5.1	5.0	4.9	4.8	4.7	4.7	4.7	4.7
Interest rate 10-year Treasury notes[3] (%)	6.4	6.4	5.9	5.8	5.8	5.7	5.7	5.7	5.7
Non-farm payroll employment[3] (m)	119.5	122.3	124.0	125.4	126.8	128.4	130.4	132.5	134.5

1. Actual 2. % change 4th quarter to 4th quarter 3. Calender year average
Sources: Council of Economic Advisers, Department of Commerce, Department of Labour, Department of the Treasury and Office of Management and Budget

Janet Yellen: 'Sound economy well-equipped to handle rougher weather'

Minister issues warning after murders ■ Three IRA men questioned

Sinn Féin role in talks threatened

By John Murray Brown in Dublin

Two murders in Northern Ireland were threatening last night to disrupt the peace process as accusations of involvement by the Irish Republican Army intensified. Paul Murphy, a Northern Ireland minister in the UK government, warned if either killing was shown to have been committed "by an organisation connected with a participant in these talks, then the implications of that will need to be very seriously examined. The government is determined to maintain the integrity of this process". His remarks were *interpreted as referring to* Sinn Féin, the political wing of the IRA. Two weeks ago the Ulster Democratic party, anti-nationalist political wing of the Ulster Freedom Fighters, was expelled from the talks after the UFF had admitted murdering Roman Catholics in a recent spate of sectarian murders.

Three IRA men were being questioned last night by police about the murder of a leading Protestant "loyalist". The victim, named by friends as Robert Dougan, had survived two previous murder attempts.

Anti-republicans had called for the ejection of Sinn Féin earlier in the day after the murder less that 24 hours before of a well-known drugs dealer which they claimed was the work of the IRA. The Irish Republican Socialist party, political wing of the Irish National Liberation Army, said it had been contacted by the INLA which denied involvement in either murder.

Last night no group had claimed responsibility for the killing of the dealer. Any move against Sinn Féin could strain the *IRA ceasefire*, which security officials say is to be reviewed next month at a meeting of the organisation's seven-member Army Council.

Brendan Campbell, the dealer, last month survived a gun attack that Ronnie Flanagan, the Northern Ireland police chief, subsequently blamed on Direct Action Against Drugs, a shadowy group which security sources claim is a front for the IRA. If the police find forensic evidence pinning this latest killing on DAAD, unionists say the government would have little choice but to take similar *action against Sinn Féin*.

Gary McMichael, the UDP leader said: "I have no doubt in my mind that DAAD was responsible and therefore the IRA ceasefire had been broken. The chief constable made it clear that DAAD tried to shoot dead this man in south Belfast [the capital of Northern Ireland] several weeks ago – they have come back to finish the job."

During the previous IRA ceasefire, eight men were shot dead by DAAD.

But Gerry Adams, the Sinn Féin president, accused anti-republicans of seeking to exploit the murder. "They don't care who was killed *last night. What they see is* some tactical advantage to themselves in an attempt to wreck this process."

Blair strikes a chord with Irish America

Peace moves complement growing realism, writes **Heather Bourbeau**

Senator Edward Kennedy meeting Tony Blair in Washington last week

Associated Press

Tony Blair's obvious commitment to the Northern Ireland talks process has struck a chord with many Irish Americans, who are weary of violence and hope for a peaceful solution. A romantic attachment to a united Ireland remains, but there is also a growing realism.

Even the more radical groups such as the Irish Northern Aid Committee (Noraid), see Tony Blair as a positive influence. The UK prime minister's arrival on the scene comes as Irish American groups have *moved to a more pacifist* approach.

"You won't find 'IRA all the way' today," said Gerry Coleman, director of political education for Noraid at a candlelight vigil before Mr Blair's visit. "Things have changed since the 80s. This is the honeymoon period, but you need to have more than goodwill and good people."

The tradition of Irish American support for republicanism stretches back to the early 19th century, when Irish Americans saw the republican fight as a way of maintaining cultural identity with the homeland they left for the New World. As Andrew Wilson writes in his book *Irish America and the Ulster Conflict*: "Their influence kept the diaspora committed to physical force in an era in which the Irish at home concentrated on parliamentary politics."

Often it was second or third generation Irish Americans who were the most ardent supporters of the Irish Republican Army and other nationalist organisations. Much has changed, however, since the election of President Bill Clinton, who granted a US visa to Gerry Adams, president of *Sinn Féin, the political wing* of the IRA.

The more active US government role has helped progress in the Northern Ireland talks. But when Mr Blair visited Washington last week, he understood how critical Irish American support for his peace efforts would be.

On his second day, he met some 20 congressional leaders, including Daniel Moynihan, a senator from New York; Edward Kennedy, the veteran senator from Massachusetts and brother of the US ambassador to the Republic of Ireland: and Benjamin Gilman, a representative from New York and chairman of the House International Relations Committee. Mr Kennedy and Mr Moynihan are regarded as particularly strong supporters of Irish constitutional nationalism.

> The prime minister urged Congressmen to ensure the IRA would find little sympathy in Washington

Mr Blair urged the Congressmen to use their contacts to ensure that the IRA would find little sympathy in Washington and that violence would not be encouraged from either side. "This is one area where your help is essential," he said.

He was rewarded by Senator Kennedy's response: "I *commend prime minister* Blair for his impressive leadership in the search for peace in Northern Ireland. No one believes the search for peace is easy . . . I condemn the renegades on both sides whose continuing violence and threats of violence are trying to wreck the hope for peace."

Mr Kennedy is not alone in his respect for British efforts, although drinkers in Nanny O'Brien's in Washington were in a more sceptical mood as they downed Guinness and listened to the songs of the "Four Green Fields".

"It's important that a top government official is turning his attention to Bloody Sunday [the shooting of 14 demonstrators by British troops in Londonderry in 1972] but . . . I hope it is a *sincere re-investigation*," said Marian Bouch, a first-generation Irish American, at a music session in Nanny's.

"I don't know if it can hold together; I just hope there's less violence," said Jeremiah Holland, a San Francisco teacher of Irish descent.

The Blair visit demonstrated that there is a new constituency in the US for a negotiated settlement. But Mr Blair will also have been made aware that a minority of Irish Americans remains ready to support a fight for a united Ireland if the negotiations fail.

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Hyundai seeks early ownership of site

By James Buxton in Edinburgh

Hyundai is pressing the UK government's Scottish Office to give it immediate ownership of the site of its delayed semiconductor plant. It said this would help raise finance to complete the project, or enable it to put together a joint venture with another company.

The 60ha site near Dunfermline in central Scotland belongs to Scottish Enterprise, a development agency. The agency would normally have transferred it to the *Korean company some time* after the plant opened. Hyundai now says that having the title to the land would give it greater security in negotiations with banks or other companies.

Brian Wilson, the Scottish industry minister, said yesterday he was considering Hyundai's request, but wanted first to consider the implications of committing more public funds to the project.

Hyundai has postponed *the opening of the first* £1.25bn ($2.10bn) phase of the memory chip fabrication plant to the end of 1999, a year later than planned, blaming the economic crisis in South Korea. This week it stopped most of the building work for four months, citing the same reason.

The suggestion that Hyundai Semiconductor should obtain ownership of the site before the start of production brought an angry reaction from Michael Moore, *Scottish industry spokesman* for the opposition Liberal Democrat party. "Handing over ownership of the site with nothing in return would be a scandalous waste of public funds," he said.

The scale of assistance promised to the company has attracted criticism since the deal was agreed in 1996. The Conservative government was anxious to win a project which promised the creation of 2,000 jobs.

Hyundai is understood to *have been promised £38m in* assistance for the full project, while Scottish Enterprise is spending £21m on infrastructure work in the area, of which it says between £9m and £10m is directly attributable to Hyundai. Last December the Scottish Office said no assistance from Scottish Enterprise had yet been paid to Hyundai.

Ship underwriters 'face heavy losses'

By Jonathan Guthrie in London

The Institute of London Underwriters, a trade body representing corporate underwriters, has warned members that they face heavy losses as a result of a decline in the premiums they charge customers to insure ships and cargoes.

"There is a stark difference between *the premium* base in 1993 and 1997, reflecting the reduction in premium levels," said Stephen Redmond, the institute chairman. Statistics published by the body yesterday show that premiums paid in 1993 to insure hull, energy and liability risks in that year were £624m ($1.04bn) against a comparable figure of £255m for 1997.

Low premiums were the result of a fierce price war, *triggered in part by growing* competition from underwriting centres outside the UK, the institute said.

It reported that a few big brokers were increasing their share of business. Insurance companies underwriting directly have taken on larger percentages – sometimes as much as 100 per cent - of large risks, prompting a decline in the traditional subscription market.

A low incidence of claims – at 13 per cent of premiums in 1997 – for hull, energy and liability risks had so far cushioned insurers. "When normal levels of claims return the erosion of the premium base will mean that we are hit that much harder," Mr Redmond said.

Claims for cargo risks had risen to 46 per cent of premiums paid so far for 1997, the highest level on a comparable basis since 1990.

If claims for other categories of business rise, too, some insurers could pull out of marine underwriting, Mr Redmond warned. This would damage the position of London, which was losing business to other centres.

ILU members paid out £1.82bn in 1997 against premium income of £1.18bn. Losses of £540m came from claims for before 1990, mostly after the running aground of the oil tanker *Exxon Valdez in Alaska in* 1989.

Ministers may block ban on Murdoch price cuts

By David Wighton and John Gapper

The government is determined to block any specific ban on predatory pricing by national newspapers after an embarrassing defeat in the House of Lords, the unelected upper House of Par*liament, on Monday*.

The prime minister's office made clear that the government would use its House of Commons majority to overturn a Lords amendment to the proposed competition bill aimed at outlawing a price-cutting campaign by Rupert Murdoch's News International, publisher of The Times newspaper.

However, ministers may seek to draw up a more general amendment in an effort to head off a threatened *rebellion by MPs. The* amendment was dismissed as "anti-competitive, anti-consumer and anti-democratic" by News International, which said it might ask its auditors to certify that The Times was not being subsidised by other group operations.

The prime minister's official spokesman yesterday restated the government's view that the amendment was unnecessary. "You can be assured this amendment will not become law," he said. Officials strongly denied accusations that the government had reneged on commitments to tackle the problem for fear of alienating Rupert Murdoch.

The Times is sold for 35 pence (58c) in the UK on most days of the week while *the rival Daily Telegraph* and The Independent cost 45 pence. The rivals raise their prices of their much bulkier Saturday editions while the price of The Times is cut to 20 pence on Mondays and Saturdays. The UK price of Mr Murdoch's Sunday Times is £1.

Douglas Flynn, managing director of News International's newspaper division, said the company might ask Arthur Andersen, its auditors, to certify publicly that The Times was not being subsidised by other News Corporation operations. "Maybe we should get them in to have a look at the books and sign off on a range of appropriate statements," he said. These would include an assurance that The Times and Sunday *Times were profitable when* counted together.

He said News International had also taken legal advice on its pricing policy for The Times, and believed it could pursue a similar strategy in other European countries or in the US, in spite of claims that UK law is lax.

Government officials insisted that predatory pricing by newspapers was covered by the competition bill, which incorporates Article 86 of the Treaty of Rome into UK law. Under the bill, a company with a "dominant position" would be prohibited from imposing "unfair purchase or selling prices".

But a cross-party group of peers backed an amendment in the House of Lords which specifically bans predatory pricing and introduces a broader definition of "dominant position" for national newspapers.

Officials said that any move to broaden the dominant position definition would defeat the aim of bringing UK law in line with the European Union.

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UK NEWS DIGEST

Antibiotics 'aid food poisoning'

Intensive livestock production and excessive use of antibiotics have contributed to a rise in food poi*soning*, the Meat and Livestock Commission said yesterday. Colin Maclean, director-general of the meat industry's research and promotional body, said: "Ultimately the whole food chain must understand how to behave in the face of adverse circumstances. We've got a long way to go." In evidence to a House of Commons agriculture committee inquiry into food safety, the commission said intensive livestock production, "with animals kept in high densities, often with access to their own faeces", enabled bacteria to be spread widely. Drugs such as antibiotics, used to keep animals healthy, "ensure constant selection pressures on bacteria which may result in the emergence of *resistant strains*". The potentially fatal e-coli 0157 posed "a completely new threat", said Mr Maclean. Poisonings doubled between 1992 and 1996. "Our barriers to defend people may have been adequate but they're now inadequate," he said. *Alison Maitland*

■ INTERNET

Loans institution to offer access

Nationwide building society, one of the country's biggest mutually-owned savings and loans institutions, is to offer customers access to the internet in direct competition to service providers such as Compuserve and Demon. Nationwide, which offered Britain's first internet banking system in May, said the move was not driven by cost considerations, although it admitted online transactions are far cheaper to process than branch or telephone-based inquiries. Its access system, to be operated by British Telecommunications, will brand the user's software with the society's logo. Nationwide claims 40,000 users in total for both PC and internet banking, an *increase of 15,000* since it was launched. *James Mackintosh*

■ HOTELS

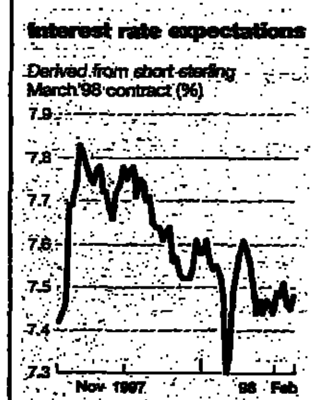
Room prices predicted to increase

Midmarket hotels are unlikely to fill up any further this year but room prices will continue to increase, says a report to be released today. BDO Hospitality Consulting, the leisure *consulting arm* of BDO Stoy Hayward, the accountant, found in its survey of 300 mainly three and four-star chain-operated hotels that average room prices rose by 9 per cent to £59.61 last year compared to 1996. Average occupancy rates, however, remained virtually static at 75.7 per cent. Jonathan Langston, managing director of BDO Hospitality Consulting, said hoteliers were achieving higher prices for their rooms by putting up prices and reducing discounts.

The trend was particularly marked in London where room prices rose by 11.5 per cent to £76.42 despite a 1.3 percentage point drop in average occupancy rates to 84.8 per cent. *Scheherazade Daneshkhu*

■ THE ECONOMY

Inflation down to target level



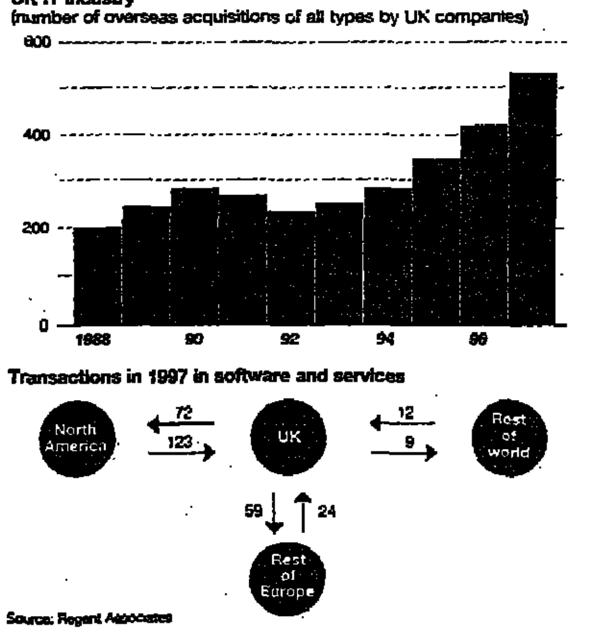
A freak drop in food prices and record-breaking discounts in the January sales helped push inflation down to the government's target rate of 2.5 per cent last month. Prices for clothing and household goods recorded *their* biggest one-month falls since official records began more than 40 years ago. The surprise fall in inflation – from 2.7 per *cent in December – caught* the markets unawares, lowering interest rate expectations. Underlying inflation is the annual change in the retail prices index, excluding mortgage interest payments. The annual change in the all-items retail prices index also fell, taking the "headline" rate of inflation to 3.3 per cent in January from 3.6 per cent in December. But analysts said January's figure could be a one-off, flattered by an unusual fall in seasonal food prices and by the heavy discounting after disappointing Christmas trading. The Office for National Statistics said prices this month were likely to rebound from the January sales. This year's discounts were deeper than in previous years. Prices of household goods fell by 3.9 per cent between December and January, the steepest fall since 1956. *Richard Adams*

■ MONTSERRAT

Development minister denies snub

Clare Short, chief minister for international development, yesterday denid she had been sidelined, after it emerged she would not be visiting the volcano-hit island colony of Montserrat. Ms Short said she had no plans to visit the Caribbean island, indicating that Britain's role in the dependent territory's relief programme was now being dealt with by Robin Cook, the foreign secretary. Mr Cook will visit Montserrat later this week. Ms Short's statement contradicts an announcement by George Foulkes, a minis*ter in her department*, who said Ms Short would visit to see conditions for herself. *Liam Halligan*

Chip shopping



Source: Regent Associates

Software groups look overseas for growth

The sector has been experiencing a rerating during the past year, reports **Christopher Price**

A UK company issuing shares to make an expensive move into the US would seem unlikely to receive a warm reception from shareholders.

But when Sage Group paid $263m for a rival Nasdaq-listed US software company two weeks ago, and part-funded the deal through a £75m rights issue, its share price barely missed a beat.

The software and services sector has been undergoing a rerating for the past year, a trend which has accelerated since December when *the formation of the first IT index* was announced.

Quoted IT companies have used their improving ratings to fund deals and raise debt. The response is reflected in a sharp rise in the number of acquisitions by UK IT groups, which has more than doubled in the past five years according to figures from Regent Associates, the IT mergers and acquisitions consultancy. Indeed, in 1997 overseas acquisitions by UK *IT companies almost equalled* purchases of UK IT companies by non-UK rivals. That reverses a trend which has led to the largest 10 software and services companies *in the UK being owned by overseas* groups. Among the flurry of deals undertaken by UK groups last year was the sector's biggest to date, the $923m purchase by Misys of *another US software business*.

Like Sage, that acquisition has not dented Misys's rating. Despite a £350m rights issue, the shares have motored ahead, to the point where this week the company was being widely tipped to enter the FTSE 100 index – the first UK software company to do so. Investor appetite reflects the strong earnings growth being enjoyed by many in the IT market.

"The UK market is by far the *strongest in Europe and probably* on a par with the US," said Richard Holway, an independent IT analyst. "This is allowing UK companies to expand rapidly and look to *replicate their success abroad.*"

The strength of sterling has also helped, making overseas companies cheaper to buy and making UK companies *correspondingly more expensive to* predators in other countries.

Peter Rowell, chief executive of Regent Associates, said: "The differentials in valuation between UK and European *IT companies* are probably the largest in many years."

Regent advised Sage on its expansion. Originally the biggest UK supplier of accountancy software to small and medium-sized companies, it now holds similar positions in France and Germany.

"It is important that companies move into sectors they understand and in markets they can exploit," says Mr Rowell.

The changing management culture within the IT industry has also been *highlighted* by analysts. For example, Kevin Lomax, chairman of Misys, cut his teeth at Hanson, the acquisitive conglomerate, while Martin Read, chief executive of *Logica, came from GEC Marconi*, the electronics giant.

"Ten years ago, the people who ran the sector all had technical backgrounds," says Mr Holway. "Today, they are more likely to be entrepreneurial businessmen."

These factors have all contributed to the current takeover flurry. Within this there has been a shift in geographical focus, with the US taking over from Europe as the favoured destination for buying non-UK companies.

Ian Spence, an analyst at Granville Davies, the stockbroker, believes one of the US's attractions is the lower rating of software and service companies on the Nasdaq market.

In a reverse situation to the London market, US investors have attached more value to computer product companies. "They are all looking for the next Microsoft," says Mr Spence.

Military chiefs interrogated on costs

The Labour government has undertaken a fundamental review of the role and structure of the armed forces. Other governments, also under pressure to cut defence spending, are watching closely to see how the UK adapts to meet the demands of the post-Cold War world. Alexander Nicoll, Defence Correspondent, examines the main themes of the study, which the government hopes to complete in May

Since the second world war, there have been more than a dozen defence reviews. But few can have involved such rigorous questioning of fundamental issues as that being conducted by George Robertson, the current defence minister.

In meeting after meeting along the dingy corridors of the Ministry of Defence in London, service chiefs are being asked to justify every person and each piece of equipment they say they need. Treasury officials anxious to cut the £21bn ($35.07bn) defence budget are among the interrogators.

Mr Robertson has been backed by Tony Blair, the prime minister, in his effort to make the review "strategic" – reshaping the military on a lasting basis after wholesale cuts which followed 40 years of being principally geared, in partnership with Nato allies, to face down the Soviet Union.

"This is not a cost-cutting exercise but a re-examination of our defence requirements from first principles," Mr Robertson said last month.

The tone was set by Mr Blair when he wrote a year ago that "a strong defence capability is an essential part of Britain's foreign policy". The review would assess overseas commitments and interests, then establish how forces should be deployed. He promised a "coherent, stable and long-term approach to the new conditions".

These assurances encouraged service chiefs to put their weight behind the exercise. "We must come up with some bright ideas, or we will be sunk," a senior officer acknowledged.

However, another officer said although the process had begun by setting strategic objectives, "the discussions now are getting down to the last rifleman". Negotiations on "force structures" are due to be completed by the end of March, after which the whole package will go to the cabinet with the aim of publishing a policy paper in May.

All involved agree that British forces need to take additional steps towards being flexible and rapidly deployable, moving further away from the static posture of the Cold War. However, officers say the options for making economies which might finance new capabilities, such as more transport aircraft, are limited following the drastic "peace dividend" cuts since 1990, which left a higher proportion of remaining forces actively engaged in operations than at any time since 1945.

The pressure on the forces is unlikely to let up, given that the government has signalled little change in Britain's role in the world. Mr Robertson says leading positions in Nato and the United Nations will be maintained; the military must respond to events in the Gulf, Middle East and north Africa – asc well as protect the 13 dependent territories.

The assumption is that British forces will hardly ever be sent abroad again by themselves, but that calls to take part in multinational forces will continue to be frequent. Although the government can refuse, as it did when a force was put together to help Albania, British forces are in demand because very few western countries can truly project power and engage in high-intensity warfare. This capability provides influence which Mr Blair is unlikely to throw away lightly.

Ministers and defence experts say the world's security situation has become less predictable and more volatile since the end of the Cold War's certainties. They are particularly concerned about terrorism and weapons of mass destruction in the hands of rogue nations.

On top of overseas commitments comes Northern Ireland, where the deployment of 17,000 troops is unlikely to be reduced soon.

All this means that Mr Robertson, in spite of his rhetoric about ensuring security for "generation zero of the post-Cold War world", faces many of the same questions which have confronted governments for decades. Does the Royal Navy need new aircraft carriers and can it make do with fewer frigates? Does the Royal Air Force need so many fighter aircraft? Does the army need to keep so many troops in Germany? How can arms procurement be done more cheaply and more punctually, and give the forces equipment incorporating the latest technology?

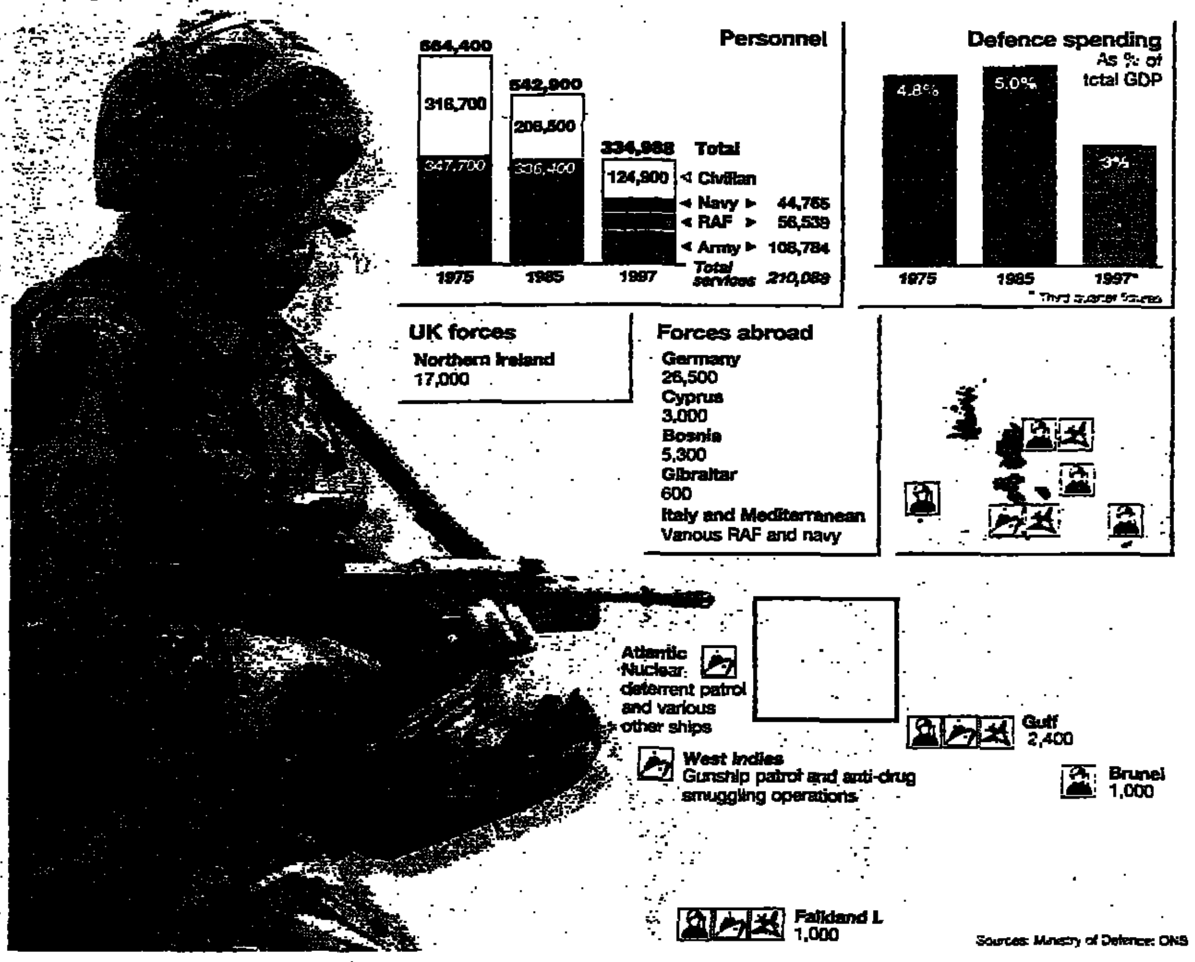
Nothing is sacred, except for two facts: Britain will maintain its nuclear deterrent, housed in Trident submarines, and will buy the Eurofighter. However, the size of the deterrent, and the number of Eurofighters, are under scrutiny.

Mr Robertson has sought the advice of Conservative predecessors (only one refused) as well as academics, industrialists, retired service chiefs and even anti-nuclear activists. He has held three public seminars and appointed a panel, drawn from inside and outside the defence world, to review the defence ministry's conclusions.

While this consultation enables Mr Robertson to say the review brings together the best available judgments, there is considerable pressure on him to deliver something significant.

The cabinet will be looking for savings which free money for spending on other priorities, while the armed forces will look for the promise of long-term stability to be fulfilled.

Key facts about Britain's armed forces



Sources: Ministry of Defence; ONS

CAREERS – few are eager to volunteer and many who do are unfit

Lure of appearing in uniform wanes

A career in the armed services is not normally near the top of most young people's job lists. "It takes a lot of courage to come through the door of the careers office", says John Desmond, army careers officer for London.

Maintaining the appeal of a career in uniform, and hanging on to people once they have been expensively trained, are high on the agenda for the government's defence review.

Redundancies and shake-ups since 1990 have discouraged people from joining and have caused many in the military to seek alternative careers. As a result the army is now 4,800 below its budgeted trained strength, the Royal Air Force 3,100 and the Royal Navy 1,900. And, unlike many other European nations, there has been no conscription in the UK for more than 35 years.

But while numbers have been cut, commitments have not: in the army, duty in Bosnia comes on top of frequent stints in Northern Ireland. All in the services complain of "overstretch" – too many operational assignments and too little time between them. Senior officers say the defence review must produce a structure which is likely to last. Otherwise, they say, retention and morale could suffer severely.

Retention is important because the services have to train their own manpower. Pilots, engineers and signals specialists are attractive to other employers. Bounties are paid to keep and re-enlist people with certain skills.

Soldiers on average stay 8¼ years. While manning officers want the average to rise by only a year or so, they say this requires a human resources package providing better conditions of service.

They believe the army's recruitment problem is being solved and that it should be fully manned by 2002. They are also seeking to boost representation of ethnic minorities, for which the government has set targets.

But this does not mean they are getting soldiers in the shape they would like – 27 per cent of people who fill in the first forms in a recruitment office do not make it into the army.

If they pass aptitude and medical tests – and do not have recent criminal convictions or admit to using drugs – their level of fitness is often so low that they are sent on physical training courses before they can enlist. "They don't come from an environment where they have had strenuous physical exercise," says an army officer. "They have been eating junk food."

INTEGRATION – traditional barriers under fire

Top strategists aim to turn forces 'purple'

There are 14 Harrier jets on the aircraft carrier Invincible in the Gulf. Seven Sea Harriers are operated by the Royal Navy and seven Harrier GR7s by the Royal Air Force.

The pilots and ground crews are separated in their training and career structures, as well as in the military traditions of the services to which they belong.

As the government's strategic defence review seeks to make forces more flexible and cost-effective, high priority is being put on making them more "purple" – the word used to describe mixing the colours of the navy, the RAF and the army.

The point is not just to make savings in the £21bn ($35bn) defence budget, although officials believe there is scope for this. Officials and military chiefs see more "jointness" as essential given that Britain expects to have to deploy multi-role expeditionary forces which integrate easily with those of allies.

Important steps have been taken towards breaking down inter-service barriers. A Permanent Joint Headquarters was set up in 1996 able to call at short notice on forces from all three services assigned to a Joint Rapid Deployment Force.

Lieutenant General Christopher Wallace commands all joint operations outside Britain, which means almost all those in which UK forces become involved. His staff of 360, drawn from all three services, monitor potential crises and keep in contact with allies. Since September 1996, British forces have been readied for rapid deployment in two operations against Iraq, including the present Operation Bolton, two in Albania and two in Zaire.

Chiefs of individual services deliver units to General Wallace while retaining administrative responsibility for them. However, defence experts see scope for more integration, and officers say the PJHQ's experience so far has revealed the need for improvements.

Rear Admiral Richard Cobbold, director of the Royal United Services Institute, says more should be done through appointments at the top of the services: "I am not convinced the mind-set is sufficiently purple. There is still a lot of parochialism around."

He believes training should be made more common and "there is money to be saved in the infrastructure of front-line forces". Ministers are pushing for integration of logistics of the three services, now run in separate organisations.

What seems certain is that forces available for joint operations will be expanded, perhaps as part of a refocussing of the army away from heavy armour. A senior officer involved in joint operations said UK land forces were insufficiently mobile and versatile.

PROCUREMENT – the average delay for each big project is nearly 3½ years

Ministers prepare attack on army of bureaucrats

The businessman's question seemed innocuous enough. "What are we trying to achieve in this meeting?"

But the awkward response from Ministry of Defence officials at a recent seminar highlighted the difficulties of shaking up Britain's £9bn ($15bn) annual weapons procurement. The need for radical change is not disputed. The ministry is smarting from last year's report by the National Audit Office which detailed overruns in cost and time which dogged procurement.

George Robertson, the defence minister, announced a drive for "smart procurement" as part of the strategic defence review. He invited industrialists into a partnership to work out ways to deliver equipment "faster, cheaper and better".

It quickly became clear this was not just a question of improving buying practices, although that in itself was a big enough challenge.

What was needed, Mr Robertson decided, was a re-examination of the defence ministry's entire buying structure, involving thousands of people. An "acquisition organisation review" was ordered and McKinsey, the management consultancy, was brought in to help.

Teams drawn from McKinsey, the ministry and industry found a bureaucratic, rigid system. There were too many levels of oversight and too little accountability, too much reliance on competitive tendering, insufficient investment in the early stages of programmes causing higher costs later and inadequate incentives and penalties for contractors.

Defence companies such as British Aerospace had been urging the ministry to mirror their own modern techniques of supply chain management. In keeping with this advice, the teams proposed dividing procurement into three categories: large projects (some are shown here); smaller projects; and bulk items. Each large project would be managed from the earliest stage by single integrated teams drawn from all interested parties, including industry.

Officials, conscious that the ministry ought not to develop "cosy" relationships with suppliers, say US experience has shown such teams can operate effectively without undermining competition. The reforms which seem bound to result will profoundly affect the Procurement Executive.

Barriers will be torn down between those who devise requirements, manage buying programmes and support equipment during its life. The importance of addressing the whole chain is shown by the fact that the cost of supporting an aircraft during its life can be twice its procurement price.

While all involved believe reforms should produce substantial savings, the most important thing for Mr Robertson is to be able to quantify them.

Officials say each project will be managed as an "open book", with the supplier's costs visible to the ministry. If a contractor makes savings below the agreed price, benefits would be shared between seller and buyer.

The aim is to enable the armed forces to have an edge in conflict, which means at least staying abreast of commonly available technology, and preferably ahead of it. While communications in the commercial world have progressed rapidly, the army is using radios with 1960s technology and replacements have not yet been ordered.

In a procurement cycle lasting over 20 years – such as for the EH101 helicopter – delays occur as requirements and technology change. The intention is to get "platforms" – vehicles, ships and aircraft – into service more quickly but to allow for regular updates to the systems within them.

With each big contract providing work for many people in many parliamentary constituencies, politics inevitably takes a hand. Moreover, about half of the programmes are in collaboration with other countries, involving cumbersome allocation of "work-shares", as in the £42bn Eurofighter project.

Whatever new processes are established in the review, the need to award contracts to the most competitive supplier will have to be addressed. Industrialists say that to achieve real savings, the procurement shake-up will need a strong figure to drive it through.

Letters, Page 12

Procurement programmes: where the big money goes

Programmes in which production is under way

Description	Number	Price	Prime contractor
[illegible]	232	£16.0bn	Eurofighter/Eurojet consortia (UK leaders BAe/Rolls-Royce)
Trident submarine	4*	£12.bn	GEC
[illegible]	44	[illegible]	Lockheed Martin/GKN Westland
[illegible] attack helicopter	67	£2.5bn	GKN Westland
[illegible]	386	[illegible]	Vickers
[illegible] submarine	3	£2.bn	GEC
[illegible]	21	[illegible]	BAe
C-130J transport aircraft	25	£1.bn	Lockheed Martin
[illegible]	142	[illegible]	BAe
Advanced short-range air-to-air missile (Asraam)		£870m	BAe
[illegible]		[illegible]	Matra BAe Dynamics
EH101 support helicopter	22	£752m	GKN Westland
[illegible]		[illegible]	GEC
Skynet 4 satellite communications		£485m	Matra Marconi Space
[illegible]	[illegible]	[illegible]	GEC
Chinook helicopters	14	£311m	Boeing
[illegible]	[illegible]	[illegible]	GEC/Kvaerner Govan

Large programmes in earlier stages

[illegible]

ASTOR airborne stand-off radar £750m

[illegible] Principal Anti-Air Missile System (PAAMS)

[illegible]

Skynet 5 satellite communications systems

[illegible]

Future Large Aircraft [illegible]

[illegible]

*only [illegible] to be delivered

Sources: Ministry of Defence, National Audit Office, and estimates

Rock map aims to woo young tourists

The elegant stucco buildings in London's Montagu Square are sometimes noted for their architectural merit and distinguished by the occasional commemorative plaque to mark an illustrious inhabitant.

But from yesterday, Number 34 will feature as a destination for rock fans eager to gaze at the building once owned by Ringo Starr of the Beatles, who let it to Jimi Hendrix, the legendary guitarist, before evicting him.

The British Tourist Authority yesterday launched a rock and pop map as part of its campaign to attract more young visitors to the UK, this time by capitalising on the popularity of bands such as The Verve, Oasis and the Spice Girls.

Fans of the Beatles already contribute significantly to Liverpool's tourism industry – worth £500m ($835m) a year – and the pedestrian crossing on Abbey Road in London is a well-known Beatles landmark. But the map aims to encourage tourists to visit places few would dream of visiting.

These include Prestwick International Airport in Scotland, the only place in Britain where Elvis Presley landed, which is marked by a Graceland bar. It also includes the house in central Wales where Led Zeppelin wrote two albums, the tree in the London suburbs where Marc Bolan died and the club near London where Oasis shot the cover of *Be Here Now*.

Anthony Sell, BTA chief executive, said young visitors held the key to Britain's long-term tourism success. More than a quarter of Britain's 26m overseas visitors in 1996 were under 25. They spent £2.6bn out of a total of £12.7bn.

The BTA is targeting the youth market in the Far East, the east coast of the US and younger European visitors with campaigns which eschew Britain's Beefeater and Buckingham Palace image in favour of fashion, nightlife, modern architecture and designer restaurants.

That approach has been criticised by those who believe that it threatens to undermine Britain's traditional appeal. In a reference to the fashion and modern arts industry, Ken Robinson, chairman of the Tourism Society, said recently: "Britain's character and tourism appeal is in danger of being warped, not strengthened."

However, the BTA says the campaigns are working. Its 1996 Movie Map of stately homes and other film locations was its most successful piece of promotional material and more than half the visitors to its sites said they would not have gone there without the map. Visits to places such as Lyme Park in Cheshire, the location for the BBC television adaptation of *Pride and Prejudice*, almost trebled after the publication.

The rock and pop map perhaps faces a greater challenge. Whether it can do the same for the site of the east London petrol station where three of the Rolling Stones once urinated on a wall after being refused entry to the toilets – which is also on the map – remains to be seen.

Scheherazade Daneshkhu

INFORMATION TECHNOLOGY

Eagle Eye · **Louise Kehoe**

E-mail hoaxbuster

A warning about a damaging virus led to a useful website checklist of nuisance messages

An e-mail arrived in my in-box last week warning against a damaging virus in messages with the title "join the crew".

It looked like another hoax, but it is better to be safe than sorry.

A call to Network Associates (formerly McAfee) led me to a useful list on the company's website (*www.nai.com/services/support/hoax/hoax.asp*) that provides samples of e-mail hoaxes – including the latest which is known as the Aids virus hoax. If you get an e-mail warning about a new virus, the list is worth checking before forwarding the "warning" on to others.

Perhaps the worst aspect of these nuisance messages is that they make people fearful of using e-mail – either that or people become complacent, thinking that all virus scares are hoaxes.

Viruses, unfortunately, are proliferating. Indeed, researchers at McAfee Labs in Paris have just found a new type that attaches itself to Microsoft Excel spreadsheet files causing miscalculations.

So far, the virus has been found only in French-language versions of the program, but Excel users everywhere should be on the alert. An antidote is available free of charge at Network Associates' beta web site (*http://beta.nai.com*).

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Modem makers have finally agreed to a standard for 56K modems, clearing up a messy situation in which backers of two competing and incompatible technologies were battling for supremacy.

It was a lose-lose game for all concerned.

Consumers and corporate buyers were unsure which type of modem to buy, so many sat on the sidelines. Internet service providers, similarly, were reluctant to invest in technology that might turn out to be tomorrow's Betamax. Only about 30 per cent of ISPs installed either type of 56K equipment. And PC manufacturers were caught in the middle too.

Now an official, if preliminary, standard has been achieved with the backing of the International Telecommunication Union. But the modem makers are still bickering.

Different implementations of the new V.90 standard may not be interoperable, some are warning. They want competitors to join in conducting tests before launching new "standard-compliant" products.

Or could they be trying to delay the launch of this new generation of 56K modems to give themselves time to catch up? It's hard to say.

What can computer users expect? More confusion in the short term, it would seem. However, within a few months "standard" modems should be widely available, resolving the issue once and for all. So much for the advantages of competition.

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If you are a "learn as you go" PC and internet user, "Dummiesdaily" e-mails are a painless and amusing way to extend your knowledge.

> Describing the problem could be automated if PCs contained a chip that recorded your last several moves and transmitted them

The daily tips service, which is about to launch a UK/Ireland version, has attracted more than 500,000 users in North America and Australia since it was introduced last summer.

The no-fee services (*www.dummiesdaily.com*), published by PC World and IDG Books, enables subscribers to choose from a dozen topics. Tips are available on the use of Microsoft's Word and Excel and Outlook Express, among other widely used programs. There are basic tips on how to use Windows or the internet as well as a "Nerd word of the day" for those who want to learn tech-speak. The tips are good enough to make skipping over "sponsors'" adverts worth the effort.

***

Talking of jargon, sometimes it seems that the most profligate products of the high-tech industry are the abbreviations it creates to describe various components, systems, software, organisations and standards. For translations, Mountain Data Systems' abbreviation and acronym finder (*www.mtnds.com/af*) is a great resource.

With more than 46,000 listings, it can usually come up with a selection of possible meanings for the three- or four-letter codes that anybody who has time enough to plough through technical papers must surely be familiar with – except you or me.

Plugging in a few letters, I found more than a dozen definitions for DSP – a semiconductor term for digital signal processor. The ISOC – Internet Society – seemed to be unique. However, IANA, which can stand for the controversial "internet assigned number authority" that dictates the distribution of internet addresses for the world wide web, suggested two definitions. The second, IANAL, was "I am not a lawyer".

***

Who you gonna call? Frank Gill, head of Intel's networking products division, aims to create the ultimate PC user's helpdesk.

He envisages a service that would respond to all types of user problems – from how to create horizontal slides using Powerpoint to how to rescue a hard disk that has crashed or a network that refuses to communicate.

The first 15 minutes that most users spend on the phone to a PC or software service representative are typically spent describing the problem, he notes.

This exchange of basic information could be automated if PCs contained a chip that recorded your last several moves and – upon request – transmitted them to a remote support service.

A lot of time and cost could be saved in finding the solution to your problem, Gill suggests, and the technology could make moderately priced remote support services economically feasible.

Details are still being worked out, but Intel is expected to roll out the first elements of an online PC support service within the next two to three months.

It could be the beginning of a big new business for Intel and a new way for small businesses and professionals to ensure that technology "insiders" are always available to help.

Share your views in the Eagle Eye discussion group on the FT web site (www.FT.com) or contact Louise Kehoe by e-mail on louise@FT.com

Electronic exchanges · **Nicholas Denton**

Web made clearer

Two software ventures hope to speed up searches for information

XML, an embryonic new standard for marking up web pages, sounds like one of those abbreviations beloved of developers and irrelevant to the rest of the world. And Junglee and webMethods, two US internet software ventures, are hardly household names.

But they warrant a closer look. XML – short for extensible markup language, an equally unfriendly term – could unlock the true potential of the web. It is set to revolutionise searching for information, but that is the least of it.

The new language is the key to creating electronic exchanges, as efficient as those on which securities are traded, for everything from jobs to news to electronic components. And software from companies such as Junglee and webMethods could help businesses achieve this internet nirvana, the frictionless economy, sooner rather than later.

In the process, they, and the internet marketmakers to which they supply technology, have the chance to take centre stage in the internet economy. These are ambitious claims for two companies with fewer than 100 employees and four years of existence between them, and a standard which was only this week approved by the W3C, the committee which determines the basic rules of the internet.

To justify them, one must understand the potential and the inadequacy of the internet as it is now. The existing language in which web pages are written, hypertext markup language or html for short, consists of tags which are invisible to the viewer but tell internet browsing software such as Netscape Navigator or Microsoft's Internet Explorer how to lay out a page. They determine the location, size and font of the text, for instance.

This standard, by giving online publishers and readers a common language, has triggered an explosion of content on the internet. More business information is available more widely than ever before but, as any internet user is only too aware, the medium is chaotic.

Search engines can find sites containing certain words, but rarely the results a user is looking for. For instance, a search on Yahoo! for jobs and Chicago turns up 39 sites; on Altavista 271. Most of these responses are irrelevant, and the internet user has to go through the remainder one by one.

XML promises a more sophisticated way to organise data. It is a system for introducing new tags, embedded in a web page and still invisible to the viewer, which define not just how a word or number should be displayed but also what it is. So, in a simple example, a newspaper's online site could be marked up to identify which blocks of text are headlines, which are summaries and which represent the author's byline. A search engine could then look for all articles by a particular writer, for instance.

The applications in business are manifold. If banks defined the mortgage rates on their web sites with XML tags, a would-be financial services agent could collect these numbers and give the consumer a way to find the cheapest loan without laboriously browsing through dozens of sites.

There are a couple of hitches. One is the possibility that suppliers, fearful that profit margins will be eroded by such transparent competition, will oppose internet marketmakers.

The other problem is that publishers and marketers will begin to rewrite their web pages in XML only when there are applications which take advantage of the language. Conversely, these applications may only emerge once enough sites use XML to make it worthwhile to collect data.

Enter Junglee and webMethods, which, in essence, translate today's web pages into tomorrow's. Junglee says its "virtual database" technology makes web pages and other disorganised sources, estimated to account for 90 per cent of the world's data, behave as an extension of relational databases, the huge, orderly computer filing cabinets designed by companies such as Oracle.

WebMethods' invention, Web Interface Definition Language or WIDL, is a system for deciphering web pages which the company is seeking to turn into a standard.

Obscured by the abbreviations – VDB, WIDL and others – is a relatively straightforward technique. Software from Junglee or webMethods allows anyone collecting – "aggregating" in web speak – data from several sources to define a set of rules specifying how each web site is designed and structured.

A headline on a news site, for example, might be in the Times Roman font, bold, with a point size of 14, and marked accordingly in html. An aggregator of news would define a setting for that site – Junglee calls this a "wrapper" and webMethods an "interface" – to cause text in that format to be entered into the "headline" box within a traditional database.

The trick is already being used in dozens of ways. Junglee, a venture founded by Stanford University academics which has focused so far on the $6bn US employment listings market, has painstakingly defined the characteristics of 700 sources for appointments. Each of these sources has its own way of displaying the 21 attributes, such as job title, location and salary, that together make up an entry.

The jobs database Junglee creates by aggregating and organising the scattered information is not marketed under its own name, but takes a cut from partners' revenues. "The goal is not to be the king, but to be the kingmaker," says Venky Harinarayan, vice-president for business strategy, one of the Indian-born Stanford engineers who founded Junglee.

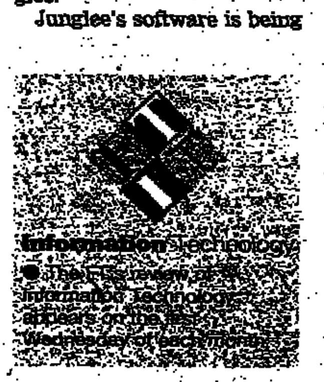
Junglee's software is being used by newspapers such as the Washington Post, the company's main financial backer, to enhance their in-house job classifieds. For the user, this means the ability to search, for instance, for all computing jobs paying more than $60,000 within 10 miles of Chicago, a query which would flummox a standard search engine.

Among webMethods' customers, meanwhile, are two Wall Street institutions which wished to save analysts' time. For information about a company, an analyst might typically check the corporate website, the Securities and Exchange Commission's Edgar database, and a stock quote web site. With a webMethods interface to those sources, the information can be harvested automatically and presented in an integrated fashion.

In principle, the spread of XML should make obsolescent the wrappers from Junglee and interfaces from webMethods which translate ordinary web pages into structured data. But, even with the boost that these translators will give to XML, it is expected to be several years before web pages are written in the language.

The specialised vocabularies for each different market – location or city in a job ad, for instance – still need to be determined, and they may vary. "In some spaces, particularly the highly competitive ones, it seems unlikely that players are going to agree on the same tags, and so you will still need someone to mediate," says Phillip Merrick, president of webMethods.

In any case, by the time XML is ubiquitous and translators redundant, the electronic marketmakers emerging out of today's tangled web will be firmly established. And standing behind these new electronic exchanges may be Junglee and webMethods.



Millennium Watch · **Tom Foremski**

Put new projects on ice

Computer experts want a moratorium on IT plans until the Year 2000 problem is solved

With time running out for implementing a full-blown solution to the Year 2000 problem, leading US computer consultants are urging companies to impose a moratorium on new information technology projects until their millennium problems are solved.

Ed Yourdon, a widely respected US computer consultant and author of the book *Time Bomb 2000*, is one of a growing number of computer experts advocating such an approach, as the last remaining strategy for many companies.

Mr Yourdon recently wrote a column in the leading US trade magazine Computerworld that called for a moratorium on new IT projects. "I received only one e-mail and was told I was crazy, that companies could not impose a moratorium because of the competitive issues in developing new systems. But this is short-sighted – if your business stops because you haven't fixed your systems, that is your main competitive issue," he says.

His stance represents a radical call for action, and one that will be hard to accept since only about 20 per cent of large companies in the US are some way into their Year 2000 programmes.

"I agree with Yourdon's call for a moratorium but his is a lone voice in the wilderness," says Joel Henderson, a computer consultant and vice-chairman of US-based Transcend 2000.

"The problem is that most IT managers have little knowledge about their legacy systems, or even understand how they work. They don't realise how much work is involved in fixing them."

The reasoning for a moratorium is that most companies have underestimated the scope of the Year 2000 fix. There is not enough time to undertake from scratch a "date expansion" project, as opposed to implementing a less complete solution, because of the programming and testing time involved.

There is also not enough time to replace legacy systems with Year 2000 compliant client/server systems such as those from SAP, PeopleSoft, Oracle and Baan, because these projects can take two or more years to complete.

Calls for a moratorium will be met with heavy resistance, says Mr Henderson, because programmers want to work on new projects which help them develop their knowledge of the latest technologies.

With a shortage of programming staff, many companies will be afraid of losing employees if they force them to work on Year 2000 projects.

Capers Jones, head of US consultancy Software Productivity Research and author of *The Year 2000 Software Problem*, supports a moratorium and includes a chapter on the subject in his book. "I recommend that companies allocate about 15 per cent of their resources on emergency maintenance and the rest on Year 2000 projects, depending on how far along they are in fixing their legacy systems," he says.

If the calls for a moratorium are followed, it will affect the revenues of many computer hardware and software companies because customers will postpone installing new computer systems and implementing emerging technologies in areas of client/server, network computers, Java application development and internet related projects.

Mr Jones has proposed several radical ideas to help address the millennium bomb issue. One is a proposal that US antitrust laws be changed to allow large companies to collaborate with each other and with suppliers on solutions for the problem. Changes in antitrust laws would protect those companies against lawsuits from competitors, he says.

ARTS

Television / Christopher Dunkley

A womaniser in a black shirt

It will be no surprise if the main reaction to *Mosley* – the four-part drama about the leader of the British Union of Fascists in the 1930s, written by Marks and Gran, and starting on Channel 4 tomorrow evening – is that it is too easy on the man. Received wisdom is that Oswald Mosley was a right-wing monster who, had he succeeded in gaining power in Britain, would have thrown in his lot with Hitler and Mussolini and enthusiastically sent Jews and trade unionists to concentration camps.

Bracketed with this belief is the conviction that the English aristocracy was riddled with Nazi sympathisers: look at appeasement, look at the Mitfords; and Mosley actually married Diana Mitford.

But if you watch all four parts it is difficult to avoid the feeling that Marks and Gran – Jewish, and known as comedy writers – have researched their subject exhaustively and concluded that matters were just not as simple as that. The first mention of fascism does not occur until the end of Episode 3. Up to that point, the writers are preoccupied with exploring Mosley's patriotism, compassion, arrogance, egotism, political expediency, but above all his womanising. It seems that Mosley even managed to seduce his fiancée's stepmother while arranging his first marriage.

With creditable honesty, a parallel is implied between the paradox in Mosley's love-life (he adored his first wife, Cynthia Curzon, even though he chased other women) and his complicated politics. It is never explicit, but the hint is that having been a Tory, an independent, and then a favourite son of Ramsay MacDonald's Labour party, Mosley may have come to fascism more through pragmatism than conviction; and that, although he did believe, like Michael Winner, that "Democracy is a whole lot of people doing what I tell them", had push come to shove, he would not have had the stomach for jackboot oppression on a national scale. This is the best thing Marks and Gran have done since *The New Statesman* in 1987, and that, too, was concerned with politics.

*

It is becoming clear that television's great digital revolution is not going to mean new high quality programmes. Anyone who imagined that 400 channels – well, all right, 150 channels then – of digital TV would have to mean new drama, fresh documentaries, original current affairs, or even different movies or sport, has another think coming.

As with other technical changes in the industry over the last 10 years, we shall see the existing material stretched further, and in some cases removed from the present cheap outlets to be re-marketed at greater cost to the viewer.

Thus 60 of those 150 channels will be used solely to ensure that viewers are never more than 10 minutes away from the next start time of each of the week's five main movies, given that you need 12 channels to run a 120-minute movie every 10 minutes.

Under this modest scheme, you will pay about £3 a movie, having first supplied yourself with a decoder (worth about £400) which, it is said, will be sold for a heavily subsidised £200. There is talk of transmitting not only BBC1 and BBC2 on the digital services, but of creating a BBC3 by mixing bits of BBC1 and BBC2 together. Indeed, re-combining programmes from existing services to make "new" channels appears to be one of the main ideas for digital television.

It seems that we saw the best programmes of which television is capable 20 or 30 years ago. The biggest effort since then, led by Rupert Murdoch with his Sky empire, has been directed towards squeezing a bigger profit out of existing material. All Murdoch's channels put together create much less original programming than the BBC's two networks.

Apart from Sky News, an adequate service run on a shoestring, there is little that Sky can point to in the way of programme origination. They take sport, organised by other people, and sell it to the viewer at a price many times what it was only a few years ago. Sky One consists almost entirely of secondhand programmes bought from American backlists. Words such as "Gold" and "Choice" and "Classic" feature more and more in the drive towards television's millennial revolution, and they all mean the same thing: repeats.

*

The doaps, documentary soaps, are showering down. After learner drivers, hotel staff and holiday reps last year, we have already had cruise ship personnel this year, *Pleasure Beach* is watching the people at Blackpool funfair on Mondays, and tomorrow sees the start of *Superstore* on BBC2.

This six-part series goes behind the scenes at Tesco's in Banbury. Every time one of these series starts, the hope is that it will be another *The House*, which blew the gaff on Covent Garden opera house. But where Covent Garden boss Jeremy Isaacs, former head of Channel 4, gave the cameras a free rein, Tesco's has clearly been more circumspect. Watch every minute of all six episodes and the most "revealing" moments are when Lucas, the shelf-stacker with ambition, but also with attitude, mutters something vaguely disrespectful about the management. You hear little that you did not already know, or had not already guessed, about the running of supermarkets.

*

Labour spin doctor Alastair Campbell, late of the Daily Mirror, has said that the BBC is a "down-market, dumbed down, over staffed, over bureaucratic, ridiculous organisation". What can we learn from this?

First, that the BBC has finally ended its disgracefully long "honeymoon" with the new government and started to do the proper job of journalists once again. Second, that if politicians appoint tabloid journalists in an attempt to spin and control their image, they run the risk of reducing the national debate to the level of tabloid headlines and fatuous sound bites.

To hear a politician's mouthpiece using the phraseology of the Mirror back bench to condemn the BBC for "dumbing down" is positively post-modernist in its irony.

Bill Cooper

Unique theory on a lovers' tangle: Scottish Opera's 'Così fan tutte'

Opera/Stephen Pettitt

Return of the salacious king

When it first hit the stages late in 1930, Arthur Honegger's operetta *Les aventures du roi Pausole* was such a success that it ran for almost 500 performances. But the chances that such a rather slight, albeit fairly salacious, piece of nonsense, with music to match, would fix itself in the repertoire forever and a day was always slim. The work had more or less disappeared without trace – no convenient plot resumé in The New Grove Opera, even – before this rescue act by the enterprising Strasbourg-based Opera du Rhin.

Designed by Jean-Pierre Vergier in the suggestive curves and gaudy colours that would look well in a Soho sex parlour, this farce, on a story by Pierre Louys, was apparently intended in the first place for Debussy – a curious thought. Pausole, played with a wonderful sense of the absurd by René Schirrer, is a genial and liberal king in whose Mediterranean kingdom of Trypheme there are two rules: do not annoy your neighbours, and besides that do what pleases you.

He has 366 wives, one for every night of the year and an extra for leap years. Tonight it is the turn of Diane (Sonia de Beaufort) to be queen, and how she is looking forward to it after a year of frustration. But complications ensue when Pausole's teddy-bear clutching daughter Aline (Laurence Janot) elopes with another woman, the transvestite dancer Mirabelle (Doris Lamprecht), believing her to be a man. Pausole follows in pursuit, more for the holiday than anything else.

All, needless to say, is set to rights at the end, when Aline hooks up with Giglio, the king's page (Didier Henry) following some bizarre bedroom-hopping, which includes a liaison between Diane and Mirabelle, and Mirabelle and the eunuch Taxis, the butt of the king's and everyone else's derision, all put-upon and hysterical, but mischievous and loveable. Thomas Morris plays him engagingly. Finally, Pausole abdicates, frankly grateful for a rest from his regal sexual duties.

Inevitably, this non-fluent French speaker missed more than a few jokes in the quickfire dialogue (one pun about *l'eau de là* and *l'au-delà* was kindly explained in advance), but what was plain to anyone with eyes to see was the slick stagecraft at work in Georges Lavaudant's fine production. Lavaudant consciously attempted to find singers who were first and foremost malleable actors, and consequently there were no great voices on show, though neither were there any bad ones.

The Orchestra Symphonique de Mulhouse, under the direction of Marc Trautmann, is far from being the world's best band – some scratchy string tone and unsophisticated woodwind timbres showed as much. They nevertheless played with crisp ensemble, clearly enjoying the infectious spirit of the music, whose eclectic style veers with glorious freedom, but with Honegger's meticulous craftsmanship always in evidence, between blatant pastiche *à la Offenbach*, the overtly sentimental, and the modernistic.

This season Strasbourg's audiences have already seen another, rather different harem opera, Mozart's *Die Entführung aus dem Serail*, part of a programme that includes *Macbeth*, *La Bohème*, *La Cenerentola*, *A Midsummer Night's Dream*, Tchaikovsky's *The Maid of Orleans* and Aribert Reimann's Strindberg-based *Die Gespenstersonate*. They lapped up this saucy diversion with joyful eagerness.

Les aventures du Roi Pausole, Opera du Rhin, Strasbourg.

Opera / Richard Fairman

Growing up with Cupid

It is opera buffs' exam time again. You have chosen *Così fan tutte* as your specialised subject and have three hours to come up with an interpretation that throws a new slant on the opera, starting now.

Hands up – who said there was none left? After all the ingenuity expended on the subject by opera producers worldwide, one might have thought that every twist in this comedy had been ratcheted to breaking-point, every psychological dark corner peered into. But Stewart Laing, producer of Scottish Opera's new staging which opened in Glasgow last Thursday, has managed to submit a theory uniquely his own.

Enter Ferrando and Guglielmo as irritating teenagers, one a sixth-form swot with school tie askew, the other thick and brash and straight off the rugby field. When they take on the challenge to deceive their girlfriends, who do they come back as in disguise? Why – as Don Alfonso, of course, with the same grey hair swished to the side, the same neat moustache, the same middle-aged gaudy blue shirt and tired suit.

In case anybody missed the point, this *Così fan tutte* is a parable about growing up, of moving from a state of youthful innocence to adult cynicism. It is certainly a valid idea (every *Così* worth watching must show its four young lovers learning this lesson), but Laing is heavy-handed with it, doubling his perceptions with symbolism, lighting them up in neon.

A big, pink Cupid's arrow flashes as bright as a Durex sign every time a character thinks about falling in love. The evening serenade features transvestites of both persuasions and illuminated pints of beer that come up through the floor.

This is a production with a split personality. On one side, in pseuds' corner, is a horribly arty piece of stagecraft, set in a depressingly claustrophobic unit set cluttered with symbolic mirrors and Freudian holes, designed by Aldona Cunningham. On the other, sadly never allowed to get the stage to itself, is a bright-eyed comedy of loveable young people, charmingly acted and brought to life by a winning musical performance.

The two male leads work especially well together. Peter Mattei, the young Swedish baritone who has been talent-spotted by Scottish Opera, enjoyed himself as the immature, self-obsessed Guglielmo and sings his music very well. Iain Paton was stretched a bit by the more dramatic parts of Ferrando's role, but was fresh, sensitive, engaging in the rest. Lisa Milne played the raunchy Despina and Donald Maxwell, a true stage pro, left no doubt that he held the strings as Don Alfonso.

The two women – Claire Rutter as Fiordiligi and Michelle Walton as Dorabella – were for once overshadowed by the men, though in themselves they made a nicely differentiated couple. Rutter's soprano has strength and vitality, but not quite the deeper lyrical warmth needed for "Per pietà".

That was also the one quality missing from Nicholas McGegan's invigorating direction from the pit. His speeds may be swift, but McGegan digs into the rhythms, not just skateboarding over the music like some other period-instrument based conductors.

At the end, the wedding gifts presented to the two couples – washing machine, microwave, toaster and other symbols of middle-aged weariness – blew up and the pink Cupid's arrow flashed happily again.

Is young love really triumphant in *Così fan tutte* after all that has happened? You have three hours, starting from now.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

OPERA
Netherlands Opera, Het Muziektheater
Tel: 31-20-551 8911
Die Walküre: by Wagner. New production conducted by Hartmut Haenchen in a staging by Pierre Audi; Feb 11, 15

■ BERLIN

OPERA
Staatsoper unter den Linden
Tel: 49-30-2035 4555
www.staatsoper-berlin.org
Falstaff: by Verdi. New production conducted by Claudio Abbado in a staging by Jonathan Miller. *Ruggero Raimondi sings* the title role; Feb 15

■ EDINBURGH

EXHIBITIONS
National Gallery of Scotland
Tel: 44-131-624 6200
Discovering the Italian Baroque: The Denis Mahon Collection. Consisting of 17th and 18th century works by Italian painters including Guercino and Domenichino; ends on Sunday

■ FRANKFURT

CONCERTS
Alte Oper
Tel: 49-69-134 0400
Chamber Orchestra of Europe: B. A. Zimmerman 80th birthday concert, conducted by Heinz Holliger. With oboe soloist Douglas Boyd: Grosser Saal; Feb 11

■ GENEVA

CONCERTS
Victoria Hall
Tel: 41-22-317 0017
Orchestre de la Suisse Romande: conducted by Fabio Luisi in works by Honegger and Britten. With piano soloist Markus Schirmer; Feb 11, 12

■ GLASGOW

OPERA
Theatre Royal
Tel: 44-141-332 9000
Scottish Opera: Così fan tutte: by Mozart. New production by Stewart Laing, conducted by Nicholas McGegan; Feb 11, 14

■ HELSINKI

OPERA
Finnish National Opera
Tel: 358-9-4030 2211
Come back, Gabriel: world premiere of Ilkka Kuusisto's new *work based on the true story of a* confidence trickster who preyed on lonely women. Conducted by the composer in a staging by Jussi Tapola, with designs by Anna Kontek; Feb 13

■ LISBON

CONCERTS
100 Days Festival, Expo '98
Opening Gala Concert: the three-month introduction to Expo '98 begins with a piano recital by Maria João Pires; Main Auditorium, Centro Cultural de Belém; Feb 11

OPERA
100 Days Festival, Expo '98
Kirov Opera: Sadko by Rimsky-Korsakov; Teatro Nacional de São Carlos: Feb 12, 13

■ LONDON

CONCERTS
Barbican Hall
Tel: 44-171-638 8891
Alfredo Kraus: recital, with the Royal Opera House Orchestra *conducted by Paul Wynne* Griffiths; Feb 11

OPERA
English National Opera, London Coliseum
Tel: 44-171-632 8300
Xerxes: by Handel. Conducted by Noel Davies in a production by Nicholas Hytner, revived by *Emma Jenkins*; Feb 11, 13

Shaftesbury Theatre
Tel: 44-171-379 5399
The Royal Opera: Il barbiere di Siviglia, by Rossini. New production staged by Nigel Lowery and conducted by Bruno Campanella; Feb 12, 14

■ LOS ANGELES

OPERA
L.A. Opera, Dorothy Chandler Pavilion
Tel: 1-213-972 8001
www.laopera.org
Samuel Ramey: recital by the bass including arias from Gounod's Faust, Berlioz's Damnation of Faust and Stravinsky's The Rake's Progress. Accompanied by pianist Warren Jones; Feb 12

■ MADRID

EXHIBITIONS
Fundació "la Caixa"
Tel: 34-1-435 4833
Rembrandt: The Human and the Natural Landscape. Previously *seen in Barcelona, this exhibition* comprises 91 etchings from the Rembrandt House Museum in Amsterdam; from today to Apr 5

■ MILAN

OPERA
Teatro alla Scala
Tel: 39-2-88791
www.lascala.milano.it
Die Zauberflöte: by Mozart. Conducted by Riccardo Muti in a staging by Roberto De Simone. With sets by Mauro Carosi and *costumes* by Odette Nicoletti; Feb 12, 14

■ MUNICH

CONCERTS
Philharmonie Gasteig
Tel: 49-89-5481 8181
Symphonieorchester des Bayerischen Rundfunks: conducted by Lorin Maazel in works by Brahms; Feb 13

EXHIBITIONS
Haus der Kunst
Tel: 49-89-211270
Arnold Böcklin, Giorgio de Chirico, Max Ernst: Journey into the Unknown. Selection of 130 paintings, collages and sketches, previously seen in Zurich; to May 3

■ NEW YORK

EXHIBITIONS
Metropolitan Museum of Art
Tel: 1-212-879 5500
www.metmuseum.org
Paul Strand, Circa 1916: 50 rare prints by the American photographer; to May 3

Museum of Modern Art
Tel: 1-212-708 9480
www.moma.org
Fernand Léger (1881-1955): *retrospective including some 220* paintings and drawings by the early modernist. Having emerged from the Cubist revolution c.1910 to move towards abstraction, Léger returned to figurative painting following his experiences of war. The exhibition will emphasise the artist's relationship with architects, as well as his work for the ballet and cinema; from today until May 27, then transferring to the Lèger museum in Biot

OPERA
Metropolitan Opera, Lincoln Center
Tel: 1-212-362 6000
www.metopera.org
Samson et Dalila: by Saint-Saëns. New production by Elijah Moshinsky; Feb 13, 16

■ PARIS

CONCERTS
Salle Pleyel
Tel: 33-1-4561 6589
Orchestre de Paris: conducted by Christoph von Dohnányi in works by Bartok, Mozart and Brahms. With piano soloist Andreas Haefliger; Feb 11, 12

Théâtre des Champs Elysées
Tel: 33-1-4952 5050
Orchestre des Champs-Elysées: conducted by Philippe Herreweghe in works by Schumann; Feb 11

OPERA
Opéra National de Paris, Opéra Bastille
Tel: 33-1-4473 1300
Tosca: by Puccini. Conducted by Jan Latham-Koenig in a staging by Walter Schroeter. Maria Guleghina sings the title role; Feb 13

Opéra National de Paris, Palais Garnier
Tel: 33-1-4343 9696
Così Fan Tutte: by Mozart. Conducted by Gary Bertini in a staging by Ezio Toffolutti; Feb 11, 14

■ SAN FRANCISCO

CONCERTS
Davies Symphony Hall
Tel: 1-415-864 6000
www.sfsymphony.org
San Francisco Symphony Orchestra: conducted by Neeme Järvi in works by Tubin, Lalo, Rimsky-Korsakov and Tchaikovsky. With violin soloist Raymond Kobler; Feb 11, 12, 13, 14

■ TOKYO

OPERA
NHK Hall
Deutsche Oper: Tannhäuser, by Wagner. Conducted by Jiri Kout/Christian Thielemann in a staging by Götz Friedrich; Feb 11, 14

■ TV AND RADIO

● **WORLD SERVICE**
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

● **CNN International**
Monday to Friday, GMT:
06.30: *Moneyline with Lou Dobbs*
13.30: *Business Asia*
19.30: *World Business Today*
22.00: *World Business Today Update*

● **Business/Market Reports:**
05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

Edward Mortimer

War without end

Air raids on Iraq will be worse than useless, unless they are co-ordinated with an Iraqi opposition on the ground

Each year in early February the defence buffs of the western world gather in Munich for the annual *Wehrkunde* security conference. US legislators proclaim their internationalism, but warn that unless Europeans shoulder their share of the defence burden the American people will soon lose interest, leaving Europe to fend for itself.

European ministers then hasten to assure Washington of their undying fidelity, while politely suggesting that *their* task would be easier if the US consulted them in advance. A French parliamentarian, say, complains that the US is misusing the alliance to impose its own views and peddle its own hardware. Finally the US defence secretary rebuts the twin charges of imperialism and isolationism, but warns his hosts to take note of what the congressmen have said.

You might think this ritual would have died with the cold war. Not a bit of it. Only the threat has changed. It is no longer the Soviet Union, but weapons of mass destruction in the hands of terrorists, or of a "rogue state". This year the rogue state has a name, Iraq, and a face, that of Saddam Hussein.

William Cohen, who has graduated from Republican senator to defence secretary in a Democratic administration, set out effectively the reasons to believe Mr Saddam has something unpleasant to hide:

- In addition to presidential palaces, one of which is a compound larger than Washington DC, he has declared "sensitive" military sites off limits to UN inspectors.
- He has lied persistently in the past, concealing vast stocks of chemical and biological weapons until his defecting son-in-law told the inspectors where to look for them.
- Overhead photography shows 17 vanloads of something being removed from a Republican Guard facility during a three-hour delay before inspectors were allowed in.

And so on. But Mr Cohen did not answer the most awkward question from the floor: what happens *after* the military strike? His silence on this point made US senators' demands for unconditional support seem hysterical, and the readiness of some European ministers to give it seem undignified.

Yet Mr Cohen's silence was hardly surprising given his own remarks at a briefing on January 31:

"To the extent that there is a military option, it is not an adequate substitute for inspectors being on the ground, having unfettered access ... We should not raise expectations unreasonably high ... I don't think anyone should be under the impression that this is going to be a mission which will accomplish the complete elimination of [Mr Saddam's] weapons of mass destruction, or force him to say he surrenders, or remove him from power. That would not be the goal of the United States and hopefully our allies in any sort of military operation."

In other words, when the bombing is over, Mr Saddam will still be there, will still have at least some of his nasty weapons, and will not have accepted UN demands for unfettered access.

So what *would* be the goal? Since no one in Washington or London seems to know, it is not surprising if other capitals are at best lukewarm in their support. The nearest I have seen to a convincing answer came from unnamed officials quoted in the New York Times on February 1. The Pentagon's planning, these officials said, has focused "on a broader strike that would, if necessary, go far beyond weapons sites to include the military and security apparatus shoring up Mr Hussein's power".

So even if the goal is not to remove Saddam Hussein, it is to knock away the apparatus on which his power rests. What a pity that was not done in March 1991, when his army was reeling from its defeat in the Gulf war and the Iraqi people rose up against him in both south and north. Instead the victorious allied army stayed in its tents a few miles from Basra, like the Red Army outside Warsaw during the Polish uprising of 1944, while Mr Saddam's helicopter gunships mowed down the insurgents.

It became a cliché in Bosnia: air cover is necessary but not sufficient; you also need troops on the ground. The US, understandably, does not like putting troops on the ground in other people's wars. But in Bosnia there *were* troops on the ground: Croatian and Bosnian ones. The US, ignoring or circumventing a UN embargo, arranged for them to be equipped and trained until they could take advantage of Nato air strikes, winning back lost territory from the Serbs.

Belatedly, the US began applying the same logic to Iraq in 1992, giving training and equipment to the Iraqi National Congress, which had bases and a radio station in the north, and attracted a growing number of defectors from Mr Saddam's army. But in March 1995 the US refused to provide air cover for an INC offensive, preferring to back a group of military plotters based in Amman who turned out to have been infiltrated by Mr Saddam's agents. As a result the Kurds in the north lost faith in the US and started fighting each other. One faction turned to Mr Saddam for assistance, and in September 1996 the US pulled out, leaving the INC to its fate.

Reconstituting an effective opposition on the ground now will not be easy. But it remains the only strategy with any real chance of dislodging Mr Saddam. Until it is in place, more bombs will achieve nothing except more suffering, and hatred throughout the region for the states that drop them.

Saddam: the name and face of the 'rogue state'

Edward.Mortimer@FT.com

·LETTERS TO THE EDITOR·

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Postponing euro not an option

From Prof Paul J. J. Welfens.

Sir, The declaration of 155 German economists warning of the euro (Letters, February 9) is an important contribution to the public debate. But the argument in favour of an "orderly postponement" is wishful thinking, since failure to launch the euro and the European Central Bank in 1999 will lead to speculative attacks, rising interest rates, disintegration and political conflicts.

Monetary union first envisaged in the Werner Report of 1971 and reconsidered in the Maastricht negotiations should be launched in 1999 – otherwise it will have to be postponed by decades. After years of preparation there clearly is no serious political option of an orderly postponement.

As many of the monetarists who signed the manifesto have always pointed out in their own research, the debt-GDP ratio is rather irrelevant for a hard currency. The argument that the average debt-GDP ratio has increased by 15 percentage points since 1991 and so the start of the euro should be postponed is not convincing at all.

Germany, Italy and France have an unemployment problem and this has contributed to higher debt ratios, but there are good prospects that the European Union's debt-GDP ratio will not rise further once the euro and a credible monetary policy have been introduced. Low interest and inflation rates in euro-land will support the consolidation process.

The 155 argue that the euro does not solve the unemployment problem in Europe and that labour markets need to become much more flexible. One can only agree on this point, but reforms can be implemented without and with the euro. Since theoretical and empirical analysis suggest that reduced exchange rate volatility in western Europe will raise investment, the euro could help to overcome the long-term increase in unemployment in continental EU countries.

More regional mobility and higher wage dispersion is needed, but also a closer integration of EU capital markets – the weakest point of continental EU countries relative to the US; and here the Euro and the ECB will help much, since it will create more transparent and more liquid markets, including more dynamic venture capital markets. The greatest weakness of continental EU countries relative to the US is the lack of new companies, especially technologically oriented newcomers, plus the lack of a rapidly growing services sector.

As regards the starter group, one should indeed apply the convergence criteria strictly, including adherence to the exchange rate mechanism for at least two years (prior to May 1998). This brings the total to nine, so that a compact starter group could establish the reputation of the euro and the ECB successfully. With an initial inflation rate of only 2 per cent, the starting date 1999 for a hard currency is almost ideal.

Nobody denies that the start of the euro requires complementary measures, including reforms of the labour markets and social security policies plus a comprehensive innovation policy. Postponement of the euro and the ECB will not solve a single problem but will compound the necessary reforms.

Paul J. J. Welfens,
European Institute for International Economic Relations,
University of Potsdam,
Germany.

This 'special relationship' is a delusion

From Mr Michael Johnson.

Sir, The personal warmth between Tony Blair and President Bill Clinton is welcome. So is the debate they have launched over what Iraq is up to. But as Mr Blair flies home in a fog of "special relationship" clichés – like every British prime minister visiting Washington – we should be clear that since Suez there is no underlying Anglo-American special relationship.

For over 40 years the delusion that there is has crippled Britain's ability to judge its own best interests. The end of the cold war removed any particular US policy interest in Britain except to the extent of our role in Europe, as Henry Kissinger made clear in a speech in London in 1995.

Politicians on both sides invoke a special relationship for opportunistic reasons: the British because they mistake the US for an Anglo-Saxon country, and as a distraction from deeper commitment in Europe; Americans when it suits them and they need support, like now. If Saddam Hussein backs down over UNSCOM inspections and Mr Clinton survives in office, it will not be many weeks before US officials are back to flying over London on the way to Brussels and Bonn and threatening sanctions against British companies that do business in whichever country Congress disapproves of that week.

Michael Johnson,
10 Avenue Road,
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Economies in a straitjacket

From Prof A. P. Thirlwall.

Sir, The 155 German-speaking economics professors have called for a postponement (not the abandonment) of the euro because the monetary convergence criteria have not all been met and "the structural problems have worsened ... [and] unemployment has continued to rise".

They don't seem to recognise that one of the main reasons the "current state of economic affairs is most unsuitable for starting monetary union" is the pursuit of the monetary convergence criteria themselves.

The real convergence of the economies of Europe requires monetary divergence, not the straitjacket of locked exchange rates, rigid monetary discipline and lack of fiscal discretion.

A.P. Thirlwall,
professor of applied economics,
University of Kent,
Canterbury, Kent, UK

Political will behind Emu

From Mr John Turner.

Sir, The letter from 155 economists advising an "orderly postponement" of economic and monetary union is certainly interesting, but I would strongly advise anyone against delaying their Emu preparation work on the strength of it. Emu is being created for political, not economic, ends, and it will go ahead as long as there is political will to achieve it. If 155 political scientists had advised against it, that would have been an entirely different matter.

John Turner,
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The FT Interview · Rolf Breuer

Bank in need of tune-up

Andrew Fisher and Clay Harris speak to the head of Deutsche Bank about his restructuring plans

"We are *not good* enough at getting the [engine's] horsepower on the road," says Rolf Breuer, chairman of Deutsche Bank. The bank's motor is "of the *highest quality*", *he says*, but it is not ticking over properly. Mr Breuer's is a candid admission that Germany's biggest bank is not using its financial strength to full effect.

The car analogy is apt since Deutsche has a 23 per stake in Daimler-Benz. Deutsche may not be an A Class facing an elk, but Mr Breuer clearly does not believe the bank is performing like a *top-of-the-line Mercedes* either.

At a time of huge financial mergers and of "transaction" banking in the American tradition, many people have wondered what Deutsche, the epitome of German-style "relationship banking", would do. Last month, after eight months in the job (but 41 years after he first joined the bank as a trainee), the new chairman gave his answer. It came in the form of a DM2.5bn (£840m) restructuring plan.

The aim is to make the most profitable use of the bank's extensive customer relationships at home and abroad. And Deutsche's focus will remain European.

US banks, says Mr Breuer, have been successful in Europe by using their immense strength in their domestic markets as a base for introducing new products and services. "They had credibility and they went to European clients and said: 'we did this and that in the US. Why not do it here?' All very convincing."

Deutsche wants to emulate the success of competitors such as J.P. Morgan, the US bank that has built up a commanding position in Germany, especially on the corporate advisory side. He is unhappy that Deutsche lags behind in the mergers and acquisitions field, in spite of the vast sums it has spent on investment banking.

Breuer: unhappy that Deutsche lags behind in M&A

"Yes, we are disappointed. We are dissatisfied," he says. "That is one reason, if not the main reason, we are reorganising ourselves into a wholesale bank." That will involve folding the investment banking side – which derives from the acquisition of Morgan Grenfell of the UK in 1989 – into the commercial bank.

Mr Breuer insists he does not intend to respond to the current merger wave, especially the Bavarian and Swiss examples, by buying some huge rival. "Our answer to that is not to look for a merger partner," he says in a comment he hopes will kill off persistent rumours.

Certainly, he concedes, the bank's "profitability is not what we want it to be". But, instead of seeking to rectify this through acquisition, the bank will strive to make the best of what it has. This means cost-paring and innovation.

Just over DM1bn of Deutsche's three-year restructuring expenses will go on staff reductions – about 9,000 in all, of which 4,000 will be outside Germany. The rest *will be spent on upgrading* information technology, reorganisation and building up the client base.

The restructuring also aims to simplify the bank's relationships with large customers. "No longer will the *investment banker* make his attack on the corporate client in the morning, with the branch chief coming in over lunch for commercial credits and the asset manager in the afternoon."

For Mr Breuer, *the current* arrangement is messy and unproductive. In future, "relationship officers" will handle links with big clients, putting them in touch with investment or commercial bankers and asset managers, according to their needs. Services will also be tailored to the needs of medium-sized companies, including Germany's *Mittelstand* businesses.

"I think this sort of client would be frightened if we confronted him with the investment banker who serves the GEs [General Electric] and General Motors of this world." There will be more "*hand-holding*" *for* medium-sized companies at sea in the complicated world of international capital markets.

"Overall, we have a client relationship network, domestically and beyond, that is second to none. But we do not make enough out of it."

Mr Breuer is keen that shareholders benefit from the bank's organisational retuning. "Deutsche Bank has slipped in the past 10 years or so, and that is of concern to me. It is not size, but market capitalisation, that shows the appreciation the shareholder has."

By this yardstick, the bank is only the seventh-biggest in Europe. Mr Breuer, long a champion of greater shareholder awareness among safety-first German investors, believes Deutsche can do much better than that.

His "value-oriented" approach will mean shedding operations that perform below par. That may mean rationalising the bank's insurance investments. And Mr Breuer is unhappy with the bank's industrial holdings. The portfolio is "wholly German, and primarily automotive. Daimler is a great company, but our holding is much too heavy vis a vis all our other holdings. And we are not in promising future-oriented industries."

The pace of disposals, however, is limited by the tax rate on capital gains – at *present* 60 per cent. "I would have to explain to shareholders why I sold their assets and paid two-thirds of the realised capital gains to the fiscal authorities," Mr Breuer says. He is hopeful that, *after the autumn* election, capital gains tax could be halved.

Overall, he says, "the goal of our restructuring is to achieve 25 per cent pre-tax [return on equity] in three years' time." *The bank's* return in 1996 was 17 per cent, but 1997 figures will be adversely affected by a DM1.4bn provision against Asian risks. Net profits are likely to be halved to about *DM1bn*.

Deutsche Bank's shares rose on the news of the restructuring programme, once investors had digested the hefty Asian provisions. Shareholders and analysts clearly expect the bank to follow through on its promises. Mr Breuer will not be the only disappointed person, if it does not.

FINANCIAL TIMES

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Wednesday February 11 1998

Starring role

You have to hand it to the White House. A dazzling public relations offensive in the past few days has turned the question preoccupying the American public away from the behaviour of the president to that of Kenneth Starr, the independent counsel investigating him.

There are good reasons for public unease. Mr Starr's investigation has been going on for years at great expense, and had been running out of steam before allegations about the president's private behaviour brought it back to life.

In the process, an inquiry originally aimed at obscure land deals in Arkansas has been expanded into what has almost the appearance of a permanent inquisition into all aspects of the presidency. Mr Starr's methods have appeared unsavoury and he is not in the same league as the White House when it comes to political adroitness.

Nonetheless, it is absurd to argue that he is part of a right-wing conspiracy to bring down the president. Moreover, the president's lawyers have produced no evidence to show that Mr Starr's office has been responsible for the leaks on which all the sensational stories have been based.

Whatever the White House may say, Mr Starr does have a job to do. There are serious questions to ask about Bill Clinton's behaviour. If he has evidence that Mr Starr has behaved improperly, Mr Clinton has the power to fire him. At the moment, that seems an unlikely outcome.

The issue for the longer term is whether the legislation under which Mr Starr was appointed is flawed – and indeed it is.

The Independent Counsel Act was established in the wake of the Watergate affair, and has always been controversial. A decade ago, Supreme Court Justice Antonin Scalia said that the system was "designed to heighten, not to check, all of the institutional hazards of the dedicated prosecutor; the danger of too narrow a focus, of the loss of perspective, of preoccupation with the pursuit of one alleged suspect to the exclusion of other interests".

There is certainly a good case for imposing strict limits on the time and money available to such investigations, and for ensuring that they are confined to the most serious offences committed by senior members of the administration while they are in office.

But is the law needed at all? Is it actually conceivable in today's climate that a president could block a determined prosecution based on real evidence without causing himself irretrievable political damage? The independent counsel law is set to expire next year: it should be allowed to die.

Suharto's fix

When it first erupted, the Asian crisis was blamed by many on the mistaken desire by south-east Asian countries to fix their exchange rates. Now, oddly, Indonesia, one of the most severely afflicted victims, is under pressure to resolve its problems by adopting a currency board arrangement and fixing its fallen rupiah.

Such an approach would follow successful examples set by Hong Kong and Argentina. Currency boards insulate interest rates entirely from political decisions, by requiring all currency issued to be backed by foreign reserves. This gives the peg much greater credibility, but imposes a high cost.

The collapse of Indonesia's exchange rate – it is above its lows but still some 70 per cent below pre crisis levels – has destroyed the balance sheet of the private sector. Fixing it at a higher level would make private-sector debts easier to service and, possibly, save some companies from bankruptcy. Since the monetary base has shrunk sharply in dollar terms, it would not need too much foreign currency as backing.

The difficulties arise on closer inspection. First is the question of how to get the exchange rate back up to a level with which the indebted private sector would be comfortable, say a rate of Rp5,000 to the dollar compared with Rp7,600 now. To maintain confidence that would require the monetary base to be covered several times with foreign currency.

Second is the cost that would follow for the banking system and the broader economy. Since the central bank would be restrained in its ability to print money, a currency board would prevent it from accommodating the inflationary pressures now building up in Indonesia. Interest rates, which are already high, would probably soar, creating fresh strains for banks. Unemployment might also climb sharply. In short, a difficult situation could be made a lot worse in the short term.

Hong Kong's peg works because its economy is used to adjusting and its banks are used to coping with violent cycles. Indonesia's financial system is very weak. Crucially, the discipline of a currency board would limit the ability of the central bank to act as lender of last resort if more problems hit domestic banks. Arguably Indonesia should restructure its banks first, but that in itself will require expensive recourse to borrowed money.

President Suharto may decide that desperate times require desperate solutions, but he must not delude himself about the cost. Worst of all would be to rush into a currency board arrangement that failed because of lack of credibility.

Paper wars

The attempt by the House of Lords to outlaw predatory pricing by British newspapers is understandable, but wrong-headed.

It is understandable, because there is always public anxiety when a serious newspaper is under threat. Healthy democracies need a diversity of titles. In this case, the Lords amended the government's competition bill because they were anxious about the fate of The Independent, seen to be endangered by the price cutting strategy at The Times.

Feelings run high because the Independent has developed a distinctive voice, at different times during its short history. On the other hand, Rupert Murdoch, whose News International owns The Times, The Sunday Times, the News of the World and The Sun, is widely seen as a homogenising force, constraining his editors towards a similar outlook, if not necessarily the same opinions.

Anxieties about the extent of Mr Murdoch's influence stem not only from his large share of the UK newspaper market and his aggressive commercial tactics, but from suspicions that this may give him undue influence over politicians, including those in the present Labour government.

Clearly Mr Murdoch is a powerful press magnate, as were Lord Northcliffe and Lord Beaverbrook before him. But that does not justify a special addition to the law to stop him cutting prices. For a start, "predatory pricing" is a notoriously difficult concept to pin down. Cutting prices to increase market share is a legitimate tactic, older than Adam Smith.

Even when it can be established that prices are below costs, the discomfort of competitors may be more than matched by advantage to consumers. Such tactics become an abuse only when a dominant enterprise is trying to wipe out competitors and secure a monopoly or near monopoly.

The government's competition bill as it stood would strengthen the hand of the authorities in this respect by adopting most of the provisions of article 86 of the Treaty of Rome. This makes the abuse of a dominant market position an offence. Aggrieved individuals will be able to complain to the Office of Fair Trading if they see evidence of abuse.

This is the mechanism by which the dominance of the Murdoch press should be tested, if that should prove necessary. But the case against him has not been made. When Mr Murdoch bought The Times, it was threatened with closure after a long history of losses. The British establishment was loudly lamenting its possible fate. He can hardly be blamed now for saving it just because his success has caused lamentations at the other end of town.

Europe's paper mountain

The EU's anti-trust authority cannot cope with the proliferation of cases. Competition law must be reformed, argues **Emma Tucker**

Europe's trustbusters are having a mid-life crisis. The European Union's competition authority turned 40 last month and showed its might by slapping a huge fine on Volkswagen for anti-competitive behaviour. But after four decades of sweeping changes in the continent's economies, the EU's anti-trust watchdog is under strain.

Publicly the stock of Karel Van Miert, the present commissioner in charge of competition policy, is high. Cases are pouring into his office as the number of cross-border mergers in Europe accelerates. For many companies, the EU competition authorities have become at least as important as domestic cartel offices, if not more so. Any merged company with a worldwide turnover of more than Ecu5bn (£3.3bn) comes Mr Van Miert's way. So do all cases of state aid, in which national governments subsidise local companies.

Agriculture apart, competition is the one bit of the European Commission which has day-to-day power to influence business decisions in Europe. And not only in Europe. Mr Van Miert's fans are still applauding his performance last summer when he wrung concessions from the US's Boeing over its merger with McDonnell Douglas.

Behind the scenes, however, companies are restless. They complain of legal uncertainty and unacceptable delays. The set of rules and procedures drawn up in the 1950s, and since adapted in piecemeal fashion, can no longer handle the volume and complexity of cases needing regulatory clearance in Brussels.

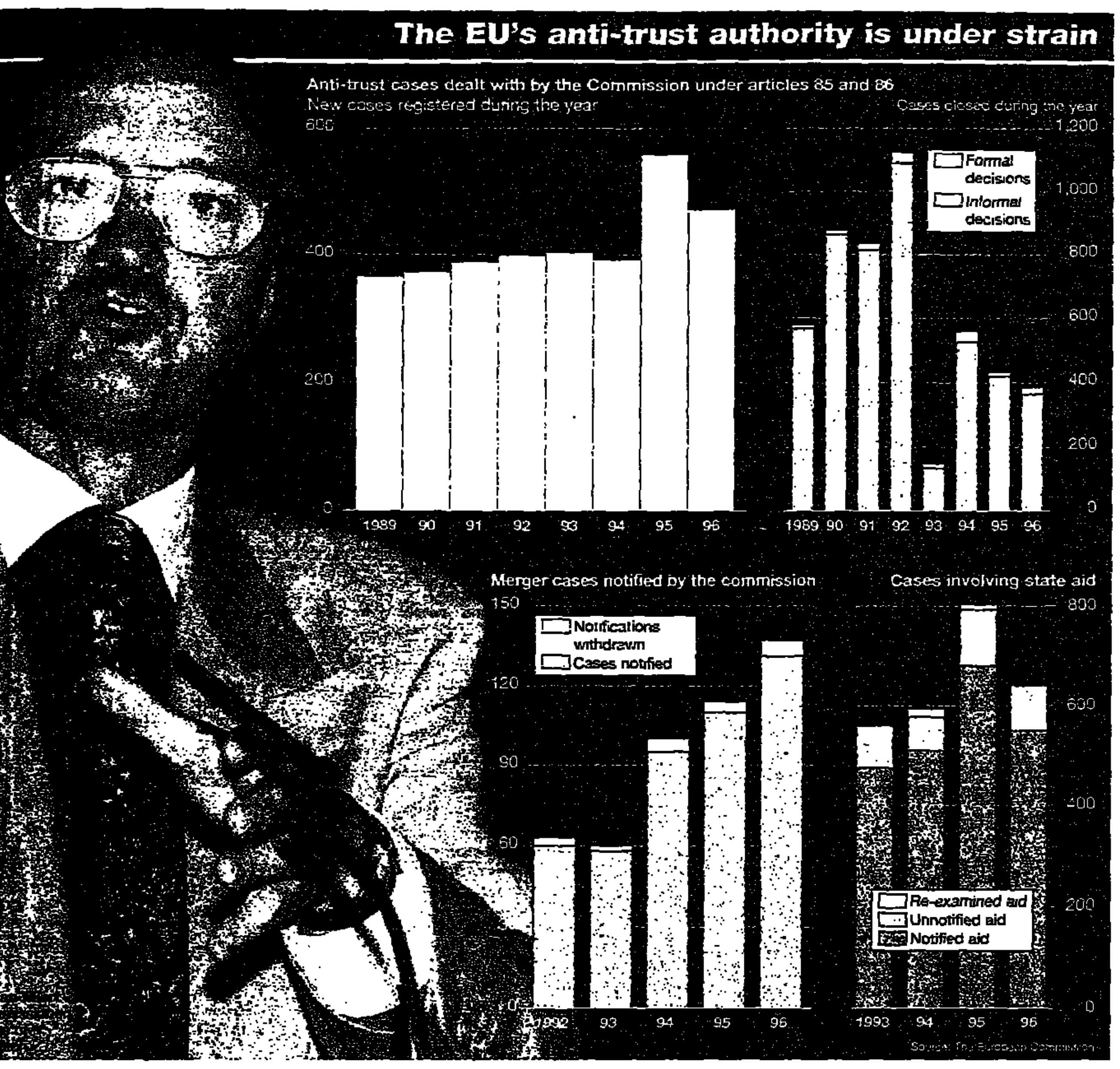
"The Commission is putting resources into regulating cases that don't actually restrict competition, which means that the cases that do need to be looked at are not being resolved efficiently," says Alec Burnside, head of the Brussels office of Linklaters, the law firm.

British brewers, such as Bass and Whitbread, would agree. They waited more than 10 years for preliminary clearance of exclusive beer supply agreements with tied pubs. Similarly, when Stelios Haji-Ioannou, founder of the cut-price airline Easyjet, brought a case against KLM of the Netherlands, he complained that Brussels had acted too slowly to prevent no-frills airlines from being sat on by bigger rivals. An investigation into a cement cartel took five years.

The most glaring problem for the Commission is the sheer number of cases. This reflects Europe's increasingly integrated economies and the erosion, by inflation, of the thresholds above which anti-trust cases must be notified to Brussels.

By November last year, officials at the competition authority had been swamped with 147 mergers, compared with only 60 in 1992. In October, the backlog of cases awaiting clearance under articles 85 and 86 of the EU treaty (restrictive agreements and abuses of a dominant position) was 1,297. At the same time, 468 state aid decisions were pending.

To speed things up, the Commission has resorted to so-called "comfort letters" sent to companies giving preliminary clearance to contractual agreements, but promising nothing should a legal challenge arise.



The letters have no legal force, are not made public and do not state the Commission's reasons for reaching a decision. In 1996, 365 cases sent to Brussels under articles 85 and 86 were settled informally through the use of comfort letters. Only 21 were cleared formally.

"This informal approach is no longer sufficient," says Peter Plompen, chairman of the working group on competition law at Unice, the European employers' federation. "Companies are getting more and more sophisticated about competition law and want legal certainty."

It is not just the number of cases that is causing difficulties. They are becoming more complex, more controversial, and more likely to involve overseas competition bodies. This year promises to be even more demanding than the last. Two intricate global accountancy mergers await clearance; desk officers must unravel the giant Bertelsmann-Kirch-Deutsche Telekom merger threatening to strangle the digital pay-television market of the EU's German-speaking countries; the aviation industry awaits verdicts on airline alliances; and the newly liberalised and rapidly developing telecoms and multimedia market requires special attention.

Senior officials in Brussels recognise the need for reform. "There is a danger that the system will become unmanageable if we don't think now about modernisation," says Alexander Schaub, director-general of the competition body. "We have to make sure that we are only dealing with the cases that need to be dealt with."

One solution would be to increase the resources but there is no appetite among the member states to expand the Brussels bureaucracy. Other directorates, even those that are underworked, will stand firm against any shift of resources. Besides, there are those who believe the competition authority should get its house in order before being granted extra resources.

If the competition authority cannot grow, its workload must shrink. This means shaking off the cases that do not require the attention of Brussels. "It is no longer necessary for the Commission to enforce competition law as it did in the past," says Mr Plompen. "The world has changed. Europe is a far more integrated and dynamic market than it once was."

There has been some reform in this direction. Last year, for example, EU industry ministers raised no objections to a Commission plan to exempt some types of state aid below a certain threshold from the requirement to notify Brussels. The Commission also raised the level, measured by market share, below which agreements are automatically assumed not to be infringing EU anti-trust rules.

Neither move is dramatic. And business wants more. It is impatiently awaiting the results of a massive Commission consultation on how to regulate potentially anti-competitive agreements. The (thrillingly entitled) "Green Paper on Vertical Restraints" considers several options for revamping a system that takes a fairly narrow view of what restricts competition.

Modernisers in the Commission, who believe the vast majority of such agreements are not anti-competitive, favour the radical option of reducing the scope of article 85. That would exclude an array of deals and restrictive agreements from the requirement to notify Brussels. Pressure from traditionalists, however, means the outcome is likely to be less radical.

Mr Van Miert and Mr Schaub are also considering introducing legally binding deadlines. The plan is inspired by the success of the Commission's merger regulation which sets tight, legally binding cut-offs: one month for a preliminary investigation, and a further four months when there are serious competition concerns. The results have been widely lauded by industry, which appreciates the speed and legal certainty of the system. The danger is that, unless deadlines are introduced across the board, some sections of competition policy will languish even longer than now.

Mr Van Miert has other plans for state aid, which has become a growing headache for the Commission as the level of subsidies, in particular in the EU's richer countries such as Germany and France, reaches record proportions. He has already announced an overhaul of EU regional state aid policy, by lowering the amount of subsidies governments can pay. He also wants to depoliticise a process open to extreme pressure from governments by making investigations more transparent and inviting formal comments from interested third parties.

Another way of giving Brussels more breathing space would be to delegate cases to national competition authorities, although industry – keen to be treated even-handedly – is wary of this option. "Parties may be worried that a case dealt with by the Greek competition authority will have a different outcome from one heard in Germany," says a Commission official.

All such ideas are enormously controversial. Traditionalists fear that, by delegating so much business, the Commission could open the door to anti-competitive practices. Even the strongest advocates for change recognise that reform will be slow.

"It is a huge project," admits a senior competition official. "We have to persuade member states that the system has to change not because we want less work, but because it makes sense."

OBSERVER

Premier poser

■ Will Sonia Gandhi be India's next prime minister? The 51-year-old Italian-born widow of assassinated former Congress premier Rajiv Gandhi has campaigned the length and breadth of the world's biggest democracy. The polls suggest that, against all expectations, she may have revived the formerly moribund and demoralised Congress. Party leaders now think what was unthinkable before Christmas – Congress could even lead India's next coalition government.

The party has not yet nominated a prime ministerial candidate, partly because few could countenance Sitaram Kesri, the uncharismatic octogenarian party president. Those close to Gandhi, who has refused press interviews, suggest that she doesn't want to be PM and would back Manmohan Singh, the respected architect of India's economic reforms in 1991 and a man of pristine probity.

But Congress power barons might have other ideas. Some wonder whether Gandhi could resist taking the helm of a Congress-led coalition, if only to prevent feuding over the post again splitting the party.

But to form a coalition, India's oldest party would probably need almost all India's regional, caste and other small parties. This would include the Dravida Munnetra Kazagham, a Tamil Nadu party, and its ally the Tamil Maanila Congress. Both were in the United Front coalition government which Congress pulled down last year over allegations that the DMK was implicated in the plot to assassinate Rajiv Gandhi: Gandhi returned to that accusation this week.

So it might be tricky for the Tamil parties to join up with Congress. Which would make it difficult for Congress to beat the Hindu nationalist BJP and its allies to forming a coalition. For Gandhi and Congress, that would be a richly disappointing irony.

All change

■ After 30 years of debate and false starts, it looks like a scheme for a rail link from New York to JFK International Airport might actually go ahead. The plan involves a levy on airline passengers to build a $1.5bn light railway connecting the airport with the Long Island Rail Road.

If it does go through, anyone wanting to go to the airport from Manhattan would have to get a taxi or the subway to Penn Station, find their way through the subterranean complex to the Long Island Rail Road, take a suburban train to Jamaica station in Queens, and change again to the light railway for the train to the airport.

It's hard to imagine that many people arriving at JFK will want their first experience of New York to be arriving in blue-collar, suburban Queens. The hope is that the link might one day be extended into Manhattan, but don't hold your breath: the first stretch isn't due to open until 2003.

Dolly mixture

■ It hasn't been a good week for the Industrial Bank of Japan. First a senior executive was arrested on suspicion of bribing an official. Now the bank has been dragged into an undignified court battle over its right to use a kitsch plastic doll as a mascot.

Nearly all Japanese banks try to lighten their image this way, paying hefty licensing fees for the right to decorate bank books and windows with characters from Disney or Beatrix Potter.

IBJ has adopted a blonde "Kewpie" baby doll for more than four decades – and the estate of Rose O'Neill, inventor of the original American Kewpie doll, has got round to claiming copyright: it's suing IBJ for Y1bn ($8m). IBJ insists that it created its own doll, and it is not the same as O'Neill's.

Perhaps the money IBJ spent on wining and dining public officials would have been better spent on making sure that it had the rights to any old cute and cuddly mascot: right now, its image needs all the help it can get.

Auto suggestion

■ Before Russian leader Boris Yeltsin turned up for his three-day trip to Rome, someone should have checked whether the gates of the Palazzo Quirinale could accommodate his Zil – wider than the average limo. An embarrassed President Oscar Luigi Scalfaro watched the Zil squeeze in after several attempts. Then one of the two ambulances following Yeltsin around town broke down.

The wheels have come off Yeltsin's overseas trips before: this time the trip may be coming off the wheels.

Holy competitive

■ Market forces get everyone in the end. Time was when the average Buddhist monk in Hong Kong could earn $2,500 a month for beating drums and praying at funerals. Apparently their income has been slashed – there are monks arriving from mainland China who are prepared to do it for less.

The Financial Times

100 years ago

Assassination In Guatemala
It would almost seem as if assassination were now the accepted means of ridding a Latin American Republic of an objectionable President. General Barrios, of Guatemala, is the latest victim, and the cable message which bears the news closes with the laconic but suggestive statement: "The First Vice-President has assumed the Presidency. Tranquillity prevails." Without attempting to justify the mode of his taking off, one must admit that Guatemala is probably better off without General Barrios. His record marks him as of the class of unprincipled, self-seeking politicians so common in Spanish America.

50 years ago

Canada's Aid To Europe
Declaring that Canada could not continue to prosper in a world divided into a highly prosperous dollar area and a starving, depressed, soft-currency area, Mr. D. C. Abbott, Minister of Finance, told the Canadian Lumbermen's Association Convention yesterday that Canada's contribution to Europe's recovery in relation to population and national income probably exceeds any other country's.

FINANCIAL TIMES
Wednesday February 11 1998

Russia and China renew opposition to using force against Iraq

Cohen denies US war-mongering

By Laura Silber at the UN in New York

William Cohen, US secretary of defence, yesterday denied that the US was war-mongering against Iraq as Russia and China renewed their opposition to the use of force to break the deadlock over United Nations weapons inspections.

Kofi Annan, UN secretary general, said efforts to find a diplomatic solution should continue "until the last minute" and cautioned the west against humiliating Iraq.

On a tour of the Gulf region, Mr Cohen said: "We are not beating the tom-toms in the White House or in the Pentagon, but we are preparing, obviously, for the option if diplomacy fails."

Hopes for a peaceful resolution appeared to narrow yesterday when Britain, the staunchest US ally on the Security Council, dismissed the Iraqi scheme to allow UN inspectors limited access to suspected weapons sites.

Robin Cook, British foreign secretary, said: "As yet the proposals coming out of Baghdad fall well short of our requirement that any agreement should be convincing and should enable [UN weapons inspectors] to resume work without restrictions, without deadlines and without any no-go areas."

President Bill Clinton, who has assembled the biggest force in the region since the 1991 Gulf War, yesterday thanked Canada and Australia for offering to join a US-led attack. He reiterated his intentions to strike unless Baghdad allowed UN dismantling of its weapons of mass destruction.

"I hope we can avoid the use of force," he said. "But if [Iraqi President Saddam Hussein] will not comply with the will of the international community we must be prepared to act, and I am very grateful that others are prepared to stand with America."

Russia, China and France, the other permanent Security Council members, renewed their opposition to military action.

Gennady Tarasov, Russian foreign ministry spokesman, said: "Any military conflict is a risky game at best. The use of force is not a ball game. What we hear is of a massive use of force, which means lots of innocent people may become victims. We wonder consequently what may be the results of applying massive fire power against arsenals of weapons of mass destruction."

Zhu Baggzao, Chinese foreign ministry spokesman, said a military strike "will result in heavy human casualties, heighten regional tensions and even trigger more serious conflicts".

Annan at centre stage, Page 5
Turkey claims, Page 5
War without end, Page 12

UK beef-on-bone ban cuts deep for butchers

Alison Maitland looks at growing signs of opposition

British meat-eaters and butchers are up in arms at a government ban imposed in December that prevents them consuming T-bone steaks and other beef cuts on the bone.

Paul Robinson, a butcher in Hampshire, southern England, said yesterday he was making a business virtue of defying the ban. As a result of advertising his defiance, his business has improved substantially.

"Oxtails in casseroles and stews are a main part of country people's diet," Mr Robinson said. "We're selling more than before. More people are coming from further afield to our shop to get it."

Gordon Hepburn, chairman of the Guild of Quality Butchers, said customers at his Essex shop were deeply angered at not being able to buy the cuts they wanted.

The ban was imposed on the advice of the government's scientific experts on BSE, the mad cow disease that has ravaged the British beef industry in the past decade. BSE-infected beef is the probable cause of a human brain disorder that has killed 23 young people in Britain in the past three years.

Recent experiments found a remote risk that nervous tissue attached to the spinal column of beef carcasses could be infected with BSE.

As this tissue could be found in cuts, such as T-bone steaks and rib steaks, the only way to eliminate the risk was to ban the sale of beef-on-the bone.

But the government's action has spurred passionate argument over freedom of choice. In a House of Commons debate last night, opposition parliamentarians were in full flight.

Michael Jack, the Conservatives' agriculture spokesman, called on the government to "stop nannying and start listening, because this ban is unwanted, unnecessary and unenforceable".

The Conservatives claim the risk of dying from eating beef on the bone is one in a billion – a figure the agriculture ministry does not dispute.

That compares with a one in 200 risk from smoking 10 cigarettes a day, or a one in 5m risk from salmonella poisoning in poultry.

However, the Labour government's overwhelming majority means there is little prospect parliament will overturn the ban. Jack Cunningham, the agriculture minister, has defended it, saying: "Was I knowingly to allow infective material into the food chain?"

But there is a wider political motive for the ban. The government is trying to persuade the European Union to lift the worldwide ban on British beef exports and is ready to go to considerable lengths to prove that UK meat is totally safe.

So far no one has been prosecuted for breaking the ban, and the prospects of widespread prosecutions look slim.

In a bid to end confusion over the ban, the government yesterday distributed guidance on its implementation by e-mailing fresh clarification to environmental health officers, whose job it is to enforce it.

The Chartered Institute of Environmental Health welcomed the clarification. But it pointed out that scarce resources meant even "high risk" butchers could be visited as little as twice a year, making enforcement difficult.

Antibiotics 'aid food poisoning', Page 8

S Korean unions turn down labour reform deal

By John Burton in Seoul

South Korea's dissident trade unions yesterday abruptly rejected last week's agreement on labour reforms, and threatened a general strike if the proposed law was passed.

The Seoul bourse fell 2.2 per cent to 541.77 points on fears that union opposition would slow industrial restructuring. The abolition of lifetime employment guarantees – one of the principal elements of last week's hard-won compromise between labour, government and business – is considered essential to promote mergers and acquisitions and attract foreign investment.

The vote against the pact amounts to a revolt against the union leadership by members of the Korean Confederation of Trade Unions, which represents 550,000 workers.

The KCTU reaction also represents the first significant challenge to the economic reform programme proposed by Kim Dae-jung, Korea's president-elect, in response to the $58.5bn bail-out by the International Monetary Fund.

After rejecting the labour reforms by a clear majority, a meeting of nearly 200 KCTU representatives agreed to sack the union leadership that had signed the agreement.

A new KCTU leadership committee said it would ask Mr Kim to renegotiate the deal. It said it would call a general strike if the new government pressed ahead with plans to seek parliamentary approval for the labour law this month. The KCTU had earlier agreed to accept job dismissals in return for improved social benefits and new rights to organise.

World stocks, Page 34
See Lex

Titanic raises hopes for blockbusters

Continued from Page 1

won four nominations, is believed to have cost more than $100m to make.

The Full Monty, up against *Titanic* for the best picture Oscar, is believed to have cost less than $10m, and has made about four times that in north American ticket sales alone.

The film is now likely to be booked into more cinemas to take advantage of the publicity stemming from the nominations and the traditional hype before and after the awards ceremony, due to take place in Los Angeles on March 23.

Warner Bros, for example, plans to widen the release this Friday of *LA Confidential*, a critically-acclaimed film noir, which has so far sold a disappointing $42m-worth of tickets in the US, to 800 screens compared with the 300 where it was showing last weekend.

The Oscar nominations for best picture, actors and directors, which commonly increase a film's aggregate US takings by at least 20 per cent, go rarely to smash hits. *Men in Black* and *The Lost World*, for example, collected only four minor mentions between them. *Robin & Batman*, one of the year's most costly productions, was passed over altogether.

On the other hand, some films such as *Schindler's List* and last year's *The English Patient*, can go on to attain blockbuster status after Oscar awards arouse interest among people who rarely go to the cinema.

THE LEX COLUMN

How the east was won

South Korea just keeps on doing the right thing. Last Friday saw a landmark deal in which unions finally agreed to job losses. Earlier in the week the new government had announced that hostile takeovers by foreigners would also be permitted. These were simply the latest in a stream of positive developments that have helped Korea recover from the precipice of default. Yesterday's rumblings of discontent from a dissident union were a reminder, of course, that all will not be plain sailing. But markets held relatively firm and dollar-based investors are still up nearly 60 per cent since the start of the year.

Where is the catch? Answer – in the real economy. A country where 6 per cent gross domestic product growth is normally a disappointment will probably see the economy shrink this year. The fall in the won may have made exports more competitive, but prices for key exports are low and demand in its main Asian markets has plummeted. Back home, there is likely to be a doubling of unemployment along with collapsing investment and consumer demand. On top of all that, interest rates will probably average over 20 per cent.

Short term, this is a lethal cocktail for a Korean corporate sector up to its eyeballs in debt. Moreover, the ensuing bankruptcies can only cause havoc in the already weak banking sector. This pain is the unavoidable price of past economic mistakes. But it is also the symptom of far-reaching economic restructuring which provides the basis for a bullish long-term investment story. This was far from inevitable. Indeed as recently as December, it seemed pie in the sky with Koreans, including President-elect Kim Dae-jung, seemingly hostile to International Monetary Fund restructuring measures. This picture has changed utterly. Mr Kim has exceeded the most optimistic expectations, showing a keen understanding of Korea's difficulties and an impressive resolve to effect these changes quickly. Moreover, the Korean people have largely swung behind him.

Mr Kim has certainly been implementing the IMF programme expeditiously. But he has gone further by deregulating financial and labour markets, and stressing governance issues.

Korea's appetite for stiff medicine need not of course spell huge investment riches. Indeed, the fall-out will make it a risky place. And

FTSE Eurotop 300 index: 1080.2 (+1.0)

South Korea

Mr Kim will have to tread a fine path if he is to ensure that his reforms stay on track. But for those happy to take the medium-term view, the gains should be handsome. With bond and currency markets still illiquid, investors are in effect confined to the equity market. The first step is to focus on companies with a low insolvency risk. Thereafter the main issues will be competitiveness – given rising foreign competition – and managerial competence. Only the strong will survive, but those who embrace change early and effectively will flourish.

Italian banks

Italy's banking sector is in such a whirl that one might think it is finally addressing its deep-seated weaknesses. Surely, it might be argued, that is what lies behind the mooted merger between IMI and Istituto San Paolo di Torino, as well as Assicurazioni Generali's request to the authorities to increase its stake in Banca Commerciale Italiana (BCI).

Unfortunately, impressions can be deceptive. These combinations are not bad in themselves, but they fail to address the central problem in Italian banking: high costs. IMI is an investment bank, while San Paolo is an ordinary commercial bank; so there is not much scope for cost-cutting there. Nor is there between Generali, an insurer, and BCI, a commercial bank. What is really needed are full-blooded mergers between commercial banks, like the combination of Lloyds TSB in the UK. But even when that happens, as with last year's Cariplo/Ambroveneto tie-up, the management shrinks from cost-cutting: the two banks are keeping separate branch networks.

Simply looking at Italian banks' poor but not disastrous returns on equity disguises the need for urgency. The industry's high costs are partly masked by high revenues. The snag is that, when the single currency is launched next year, lower-cost foreign rivals will be tempted by these rich pickings and domestic banks' profits could dive. More important than the merger fireworks are the negotiations between the industry and unions on cost-cutting. Sadly, these are moving slowly.

McDonald's

McDonald's small investment in a 14-branch Mexican food chain based in Denver – its first non-burger acquisition – is nevertheless a shift in strategy. Just as well. McDonald's US earnings growth evaporated more than a year ago, and attempts to kick-start the US business have flopped. This is not entirely McDonald's fault: the US fast food market is saturated. But Big Mac's response has been unimpressive. New products and promotions, such as the Arch Deluxe and a 55-cent burger, failed to inspire, and the company has lost market share to Burger King. Last year, McDonald's was forced to scale back its US restaurant openings, after franchisees protested that new locations were cannibalising their business.

Worse still, it started to look as if the company was adopting a bunker mentality, insisting it was going to expand its US burger business without coming up with fresh ideas. The investment in Chipotle Mexican Grill, an upmarket chain, is a welcome sign that McDonald's is searching for a way out of the impasse.

But the company's 10-15 per cent earnings growth target for the next five years will be hard to meet unless its faster-growing overseas markets boom. The management is going to take a year or two to decide whether to extend the Chipotle franchise, so any positive impact on earnings is donkeys' years away. Given McDonald's dire share price performance, its management should apply some fast food production techniques to generate quicker thinking.

Additional Lex comment on Unilever, Page 21

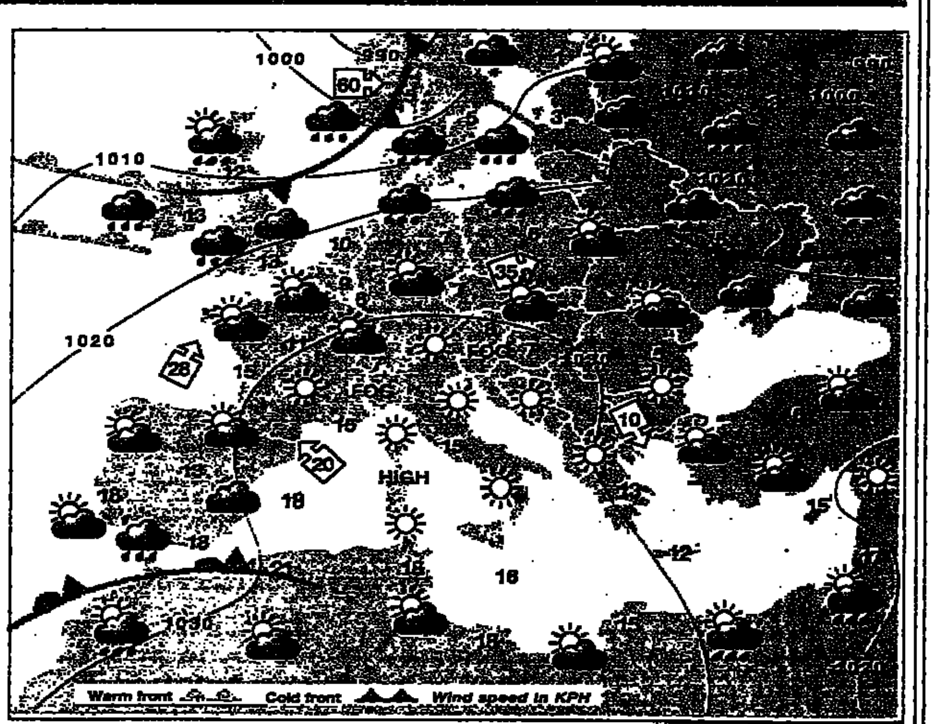
FT WEATHER GUIDE

Europe today

Snow over Scandinavia will turn to rain, except in the north, and Finland and the Baltic States will have snow until late in the day. Drizzle over eastern Europe will clear and much of the continent will be dry with some sun although fog patches may be slow to clear, especially around the Alps. Southern Italy and the south of France are likely to see the best of the sun. The Iberian Peninsula will be unsettled with showers in the south but the north will stay dry with spells of sunshine. Showers in the south-east Mediterranean will die away.

Five-day forecast

Northernmost Europe will stay unsettled with many outbreaks of rain and there will be snow over northern Scandinavia. The Iberian Peninsula will have a few showers but they will clear by the weekend. Most of the Continent will then have plenty of sunshine but overnight fog. Rain will start to move south during the weekend.



Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

TODAY'S TEMPERATURES

	Maximum/ Celcius
Abu Dhabi	Fair 26
Accra	Fair 34
Algiers	Fair 21
Amsterdam	Fair 10
Athens	Fair 13
Atlanta	Rain 15
B. Aires	Fair 23
B.ham	Rain 12
Bangkok	Thunder 34
Barcelona	Cloudy 16
Beijing	Fair 8
Belfast	Cloudy 12
Belgrade	Sun 10
Berlin	Fair 7
Bermuda	Cloudy 19
Bogota	Shower 19
Bombay	Sun 34
Brussels	Fair 9
Budapest	Fair 7
C.hagen	Rain 6
Cairo	Cloudy 13
Caracas	Cloudy 32
Cardiff	drizzle 11
Casablanca	Fair 22
Chicago	Rain 5
Cologne	Fair 10
Dakar	Sun 27
Dallas	Sun 17
Delhi	Sun 26
Dubai	Fair 27
Dublin	Rain 12
Dubrovnik	Sun 16
Edinburgh	Fair 13
Faro	Fair 20
Frankfurt	Fair 8
Geneva	Fair 7
Gibraltar	Rain 18
Glasgow	Rain 12
Hamburg	Rain 10
Helsinki	Snow 1
Hong Kong	Rain 20
Honolulu	Sun 28
Istanbul	Fair 8
Jakarta	Fair 31
Jersey	Cloudy 12
Johannesb'g	Thunder 26
Karachi	Sun 28
Kuwait	Fair 21
L. Angeles	Fair 18
Las Palmas	Fair 24
Lima	Sun 30
Lisbon	Fair 18
London	Cloudy 13
Luxbourg	Fair 6
Lyon	Sun 13
Madeira	Fair 20
Madrid	Cloudy 13
Majorca	Cloudy 18
Malta	Fair 16
Manchester	Drzzl 12
Manila	Thunder 30
Melbourne	Fair 30
Mexico City	Cloudy 25
Miami	Fair 26
Milan	Fair 12
Montreal	Fair 7
Moscow	drizzle 3
Munich	Sun 8
Nairobi	Sun 28
Naples	Sun 16
Nassau	Fair 27
New York	Fair 12
Nice	Sun 17
Nicosia	Sun 15
Oslo	Shower 5
Paris	Fair 11
Perth	Sun 33
Prague	Fair 7
Rangoon	Sun 35
Reykjavik	Cloudy -2
Rio	Thunder 30
Rome	Sun 15
S. Frsco	Fair 14
Seoul	Fair 7
Singapore	Thunder 32
Stockholm	Shower 5
Strasbourg	Fair 10
Sydney	Rain 24
Tangier	Shower 19
Tel Aviv	Thunder 17
Tokyo	Sun 12
Toronto	Rain 6
Vancouver	Fair 10
Venice	Sun 11
Vienna	Fair 8
Warsaw	Cloudy 6
Washington	Fair 11
Wellington	Fair 22
Winnipeg	Fair -3
Zurich	Sun 7

FINANCIAL TIMES

COMPANIES & MARKETS

Wednesday February 11 1998 Week 7

INSIDE

Italian bankers ready to merge

Italy's highly fragmented banking sector is consolidating rapidly, partly in preparation for monetary union and greater cross-border competition. All eyes are on Rome today, where IMI, the privatised Italian banking group, will decide whether to approve a merger with Istituto San Paolo di Torino, the country's largest commercial bank in terms of assets. Page 20

Soros the Argentine cattle king

International investor George Soros (left) has many claims to fame. But for Argentina's newspapers at least, he is the country's cattle king and shopping mall supremo, distinctions he gained through his holdings in Argentina-based real estate company IRSA and farming and agricultural investment company Cresud. The companies, run respectively by Eduardo Elsztain and his brother Alejandro, started out from a belief that Argentine assets had become undervalued after the country's economic opening in the 1990s. Page 16

Asian crisis hits heavy industry

The global heavy engineering industry is trying to put a brave face on Asia's economic upheaval. East Asian economic expansion was the biggest element in the growth of the markets for equipment for electricity, transport, water and sewage schemes. But while the worst might be over, the Asian crisis has put the brakes on this growth. Page 18

Companies in this issue

Market Statistics http://www.FT.com

CROSSWORD, Page 24

Chief price changes yesterday

FRANKFURT (DM)				**PARIS (FFr)**			
Rises				**Rises**			
Beru AG	35.0	+	2.0	Baccarat	854.0	+	84.0
Glunz Prf	65.1	+	4.1	Nat de Nav	131.0	+	11.6
Singulus Tch	108.5	+	8.5	Sole	234.0	+	15.5
Falls				**Falls**			
Beiersdorf	83.5	–	3.5	Aurea	58.0	–	8.0
Bari Nath	53.7	–	2.3	Cetelem	685.0	–	53.0
Leica Camera	24.0	–	5.8	Mecatherm	209.2	–	22.2
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
Culligan Wtr	54⅜	+	15⅜	Hitachi Seiki	325	+	69
Duane Reade	21⅞	+	5⅜	Nakano	318	+	80
Premier Parks	43	+	4¼	Nichimo	280	+	80
Falls				**Falls**			
BOC Grp	30	–	2¼	Dai Nip Print	2270	–	160
Bass	15¾	–	1¾	Ibiden	1750	–	110
US Filter	31⅞	–	2⅞	Odakyu Const	505	–	44
LONDON (Pence)				**HONG KONG (HK$)**			
Rises				**Rises**			
Cookson	217	+	28	Cheung Kong	51.75	+	1.25
Molins	349½	+	39½	Henderson Lnd	35.7	+	2.7
Scotia Hldgs	375	+	45	New Wld Dev	28.4	+	2.25
Zeneca	2525	+	68	Swire Pcfc A	44.8	+	1.2
Falls				**Falls**			
Biocompatible	180	–	35	CLP Hldgs	39.2	–	2.6
Tex Hldgs	103½	–	11½	HK Electric	27.0	–	1.25
TORONTO (C$)				**BANGKOK (Baht)**			
Rises				**Rises**			
Brookfield Res	17.1	+	1.1	Srachart F&S	20.0	+	4.5
CHC Helicop B	12.0	+	1.25	Thai Factory	20.0	+	4.5
Plains Energy	9.4	+	1.0	Thai Iron Wrk	24.5	+	4.0
Falls				**Falls**			
Petrobank	2.6	–	0.45	Rojana	75.0	–	30.0
Salix Hldgs	6.0	–	0.5	Saha Pat Int	33.0	–	7.75
Taiga Forest	11.0	–	1.0	TCJ Motor	63.0	–	19.0

New York and Toronto prices at 12.30pm.

Shell executive breaks with past

Retiring chairman spurns non-executive role

By Robert Corzine in London

Cor Herkströter, chairman of the top executive committee at Royal Dutch/Shell, has decided to break with tradition by not moving on to the board as a non-executive director after he retires in July.

The decision could mark the end of a controversial corporate governance practice at Shell, which is the largest and one of the most conservative and tradition-bound of the international oil groups.

In the past, former top executives were routinely made non-executive directors after retirement, often in a key board post such as chairman of the remuneration committee, which sets the pay of their successors.

Critics of Shell said the practice stifled innovation and acted as a restraint on the freedom of the executive chairmen of the group's holding companies, the Netherlands-based Royal Dutch Petroleum and the UK-headquartered Shell Transport and Trading.

Mr Herkströter, who has championed an ambitious reform programme at Shell, said that his decision was "personal" and should not be viewed as criticism of his predecessors.

He agreed in an interview, however, that his decision was a "conscious break" with the past. His reasons for doing so suggest it will be difficult for his successors to justify a return to the policy.

"I find it difficult," he said, "to be confronted with such a different role almost immediately after having stepped down as chairman" of the committee of managing directors, the top executive council in Shell's collective management structure.

"It would be very hard not to interfere in issues in which I was deeply involved as an executive director."

He rejected suggestions that former executive directors now in non-executive positions wielded too much power over the board. He said "sufficient care" was taken to ensure that the former executive directors did not overwhelm their outside colleagues.

"It does not happen to the extent they [critics] say. The majority of board members are outsiders, as are the majority of committee members," he said.

Mr Herkströter denied that recent restructuring of the group and the present effort to transform its business practices had been opposed by key board members.

"It was not so much resistance, but useful queries about how to improve things. It is normal that people ask questions," he said.

Mr Herkströter, who joined Shell in 1971, is to be replaced by Mark Moody-Stuart, chairman of Shell Transport and Trading.

Pre-tax profits fall of 4% blamed on sterling's strength and Asian crisis

Reuters to launch new service despite inquiry

By John Gapper, Media Editor

Reuters Holdings, the financial information company, yesterday said it would press ahead with the imminent launch of its new financial analysis product in the US, in spite of the risk of it being affected by a current criminal investigation.

The company said its Reuters 3000 analysis and information product, which is intended to match a service of US rival Bloomberg, would be launched within two months – despite the inquiry into alleged illegal use of Bloomberg data.

Reuters confirmed its intentions as it disclosed a 4 per cent fall in pre-tax profits for the 1997 financial year from £652m ($1.06bn) to £626m.

The figures for 1996 were restated to include the amortisation of goodwill.

The fall, slightly greater than analysts' expectations, was caused by the strength of sterling and a slowing of growth due to the Asian crisis. Excluding currency effects, there was an 11 per cent rise in pre-tax profits.

The company, which was informed two weeks ago that it faced a US grand jury inquiry into whether it had used a consultancy company to take information from Bloomberg, reiterated that it did not think its products were affected.

Peter Job, Reuters' chief executive, dismissed as "wild speculation" reports it may have undertaken electronic surveillance of Bloomberg. "We have no knowledge of these fancy things we are said to have done with their computer code," he said.

He said Reuters would "stick to our guns" with a growth strategy based on investment in existing operations rather than acquisition. "This is not the time to abandon the position. We are reloading our guns," he said.

He said that while the uncertainty created by the inquiry was "not good" for the group, legal disputes were not uncommon. "We are not the first nor the last group operating in the US to face such things."

The group disclosed it had not quite met its target of 30,000 for sales of Reuters 3000 by the year end, but it had 44,000 installations of the system pending in addition to the 27,800 already installed.

Revenues dropped by 1 per cent from £2.91bn to £2.88bn, and earnings per share fell by 12 per cent from 27.3p to 24p. The final dividend rises 10 per cent from 9p to 9.9p, taking the total to 12.10p from 11.75p.

Its shares, which fell sharply after disclosure of the inquiry, closed 10.5p up at 572p.

International bond issues increase by 20%

By Edward Luce in London

More companies and banks are raising money on the international bond market than before with issuance rising to $155bn in the first six weeks of the year. This is 20 per cent higher than the amount raised in the same period last year.

The level, which compares with a figure of less than $130bn issued during the same period in 1997, itself a record-breaking year, has surprised market analysts in the wake of the financial crisis in Asia.

But issuers have been encouraged by the relatively low level of international interest rates, when borrowing in the syndicated loan market has become more difficult.

"Companies are locking in to the extremely low cost of borrowing on offer in the bond markets at the moment," said Paul Abberly, a fund manager at Lombard Odier, the private Swiss bank. "Investors are happy to buy at these low yields because there is no sign of inflation on the horizon."

Economists say these boom conditions are also underpinned by longer-term "secular" trends, including declining government borrowing and the approach of European economic and monetary union.

The fact that the US is expected to achieve a fiscal surplus in 1999 while European governments are cutting deficits as part of the Maastricht criteria for Emu is a stimulus for companies to issue debt in their place, say economists.

"Instead of crowding out the market, governments are crowding it in by issuing much less debt than they used to," said Avinash Persaud, head of currency research at J.P. Morgan in London. "This also has the effect of reducing long-term interest rates so allowing companies to borrow at lower yields."

The high level of activity, combined with an almost total absence of emerging market issuance this year because of the Asia crisis, is expected to rise in the medium term.

In contrast fewer companies are borrowing from banks. A recent study showed banks in 1997 would have earned far higher returns by investing in bonds rather than extending loans to clients in the syndicated market.

International bonds, Page 22

Nomura quits fight for Energy Group

By Simon Davies and Virginia Marsh in London and Will Lewis in New York

Nomura International unexpectedly withdrew from the £4bn ($6.5bn) battle for Energy Group last night, claiming it could not justify bidding above the 765p offer from PacifiCorp, the US utility.

Its withdrawal leaves PacifiCorp in pole position to buy the energy and coal mining business demerged from Hanson last year. However, Texas Utilities, another US electricity group, is still indicating that it may counter bid.

Nomura, the European arm of the Japanese investment bank, said its withdrawal did not reflect concerns that its offer would be referred to the Monopolies and Mergers Commission, putting it at a disadvantage to its US competitors.

It is understood that after conducting due diligence on Energy Group's Peabody Coal subsidiary, Nomura had estimated the ongoing cash costs of a healthcare scheme related to black lung disease would have amounted to $130m per annum. This would have made it impossible to issue securitised bonds backed by the cash-flow of the company to fund its bid.

Nomura held discussions with Lehman Brothers, the US investment bank, over the possible disposal of Peabody and Energy Group's Citizen Power subsidiary. It is understood that an offer of between $2.5bn and $2.7bn was discussed.

Nomura said talks on the sale of Peabody "are unlikely to reach a satisfactory conclusion. In the absence of agreeing such a sale to a third party, Nomura would not make an offer for [Energy Group]."

Nomura was always considered to be at a disadvantage in the battle. PacifiCorp's offer has been cleared by UK regulators, and the fact that Nomura would be a financial buyer had increased chances its bid might be referred.

Nomura said the return on capital achievable on its acquisition of Energy Group would have been insufficient at 765p.

PacifiCorp said it was pleased by Nomura's decision to pull out of talks with Energy Group: "PacifiCorp believes the 765p cash offer for Energy Group represents excellent value and certainty for Energy Group shareholders."

Barry Riley

Bearish UK institutions become minority owners

Those awkward Americans, it seems, are no longer embarrassing the British investment institutions as they were this time last year. Although foreign investors (nearly all Americans) have raised their ownership of UK equities from 15 to 16 per cent over the past year, the most recent inflows have largely been into the kind of mid-size stocks that domestic funds have found so relatively disappointing.

These, and many other, intimate details of the UK equity market can be gleaned from the new edition of Schroders Securities' ownership study. It is based on shareholder data collected by Citywatch last November.

The onward march of the Americans has been slowed by last year's global stock market crisis. The US international equity mutual funds, in particular, have often suffered outflows in recent months. But they were significant net buyers of UK equities through much of 1997. Initially they bought the big capitalisation leaders, but later they began to chase the underperforming "value" stocks like British Steel, BTR, Pilkington, Courtaulds and Inchcape. That, says Schroders, was a mistake.

So the British funds could unload some of the struggling stocks they had given up on. But overall they continued to lag. Their ability to control pricing trends within the UK equity market waned, as their overall ownership slipped from 54 to 48 per cent. Early, and incomplete, figures from the performance measurement consultants Caps suggest the median pension fund underperformed in the UK market by 1.9 percentage points. That was disappointing, but nothing to compare with the quite astonishing underperformance in overseas equities of 13 percentage points against the World ex-UK index.

The decline in the ownership share of domestic institutions partly reflected their underexposure to the market leaders and the net buying from the US. But another important factor was the bearish retreat into cash, which was up to 8 per cent of pension fund portfolios by the year-end.

> Some of the big pension fund managers have capitulated recently and bought back into UK equities

The financial services sector also had the nasty technical problem posed by the demutualisation windfalls enjoyed by personal investors. Halifax, Norwich Union and the others account for nearly 3½ per cent of the All-Share index and personal shareholders still hold most (perhaps two-thirds) of the stock. They will have to be paid silly prices to persuade them to sell out.

Schroders has no sympathy for institutions underweight in the leaders. It predicts more of the same: outperformance by the largest and most liquid stocks, especially merger candidates. Indeed, the FTSE 100 index has already outperformed the 250 mid-cap index by nearly 6 per cent this year. "Value" stocks, according to Schroders, will continue to struggle, given that they typically lack pricing power in a deflationary global economy.

Arguably the divergences will be intensified by the knee-jerk reactions of pension scheme trustees as they switch underperforming mandates to index funds and growth managers. The value houses have wound up with high exposures to some of the stock market's dogs - dangerously high if they become forced sellers. Their exit will have to be through the private market, as happened last week at Dalgety where PDFM and M & G hold 37 per cent between them.

Some of the big pension fund managers have capitulated recently and bought back into UK equities. Merrill Lynch's latest Gallup Poll suggests that cash has been cut sharply. Last year some houses raised cash to reduce their risks against PDFM and Gartmore, but in 1998 they have moved off in their own new direction.

Domestic unit trusts are even more exposed to the underperforming sectors. Unit trust managers seem to be locked in a 1980s time warp, heavy in the "value" mid-cap industrials but underweight in banks, oils and pharmaceuticals. No wonder M & G, once the temple of active management, has sacrilegiously launched a tracker fund.

AMERICAS NEWS DIGEST

Telmex warns over fees dispute

Telmex, Mexico's biggest telecommunications company, warned yesterday that it may have to make provisions in the first quarter of 1998 because of a dispute with US carriers over settlement rates. Alfredo Cerezo, Telmex finance director, issued the warning after announcing a better-than-expected increase in 1997 fourth-quarter profits, and a planned increase in capital expenditure in 1998 from $892m to $1.2bn.

Mr Cerezo said Telmex was sticking by an agreement to charge US carriers such as AT&T and MCI 37.5 cents a minute in international settlement rates, despite lobbying by the US companies to force Telmex to lower the tariff. He said if US carriers failed to pay the full rate, the impact would show up in Telmex's financial statement from March onwards. "If we have not reached an agreement we will introduce a provision in expenses," Mr Cerezo said.

Telmex, a former monopoly, has been attacked by rivals, which claim that its interconnection fees and international settlement rates have caused heavy losses and hindered expansion plans since long-distance competition started in 1996. Telmex's 1997 results showed competition had cut international long-distance revenues by 32 per cent compared with 1996, and domestic long-distance revenues by 20.9 per cent. However, local revenues, in a market where Telmex's monopoly ends this year, rose 32 per cent.

Fourth-quarter profits surged to almost $400m from $12m in the last three months of 1996, but profits for the year as a whole fell 4.3 per cent in 1997 to $1.6bn. Analysts said the fourth-quarter results showed healthy declines in operating expenses. *Henry Tricks, Mexico City*

■ CANADA

Loblaw to enter banking

Canada's biggest supermarket chain is to follow the UK vogue for supermarket banking with the launch of its own financial services operation. Loblaw, which attracts an estimated 8m customers every week in supermarkets across most of Canada, will offer banking services under the "President's Choice" brand-name it already uses for own-label groceries. The processing and clearing will be carried out by Canadian Imperial Bank of Commerce, Canada's second largest bank.

The Loblaw banking service is similar in concept to the financial products launched last year in the UK by retailers such as J. Sainsbury and Tesco, combining the supermarket's brand name with a traditional bank's back-office strengths. Those companies have been surprised by their success, and have even had initial difficulty coping with the volume of new customers.

However other Canadian banks were sceptical about the venture. "We would never submerge our brand in that way," said Jim Rager, executive vice-president in charge of personal financial services at Royal Bank of Canada.

Royal Bank and other Canadian banks such as Toronto Dominion have been experimenting with the alternative approach of opening kiosks under their own names inside supermarkets. *George Graham, Toronto*

■ OIL INDUSTRY

Texaco upbeat despite price fall

The decline in oil prices from more than $20 a barrel at the end of 1997 to $16.50 now represents an opportunity to make acquisitions at reasonable prices, said Peter Bijur, chief executive of Texaco. "We are very engaged in evaluating what is available," Mr Bijur said. On Monday, Texaco announced it had access to additional reserves equivalent to 167 per cent of annual production, aided by its acquisition of Monterey Resources.

Mr Bijur said the level of production replacement would be at the top of the industry average of 130-140 per cent for 1997. Texaco's net proven reserves grew to 4.3bn barrels of energy equivalent, aided by a 420m barrel addition from Monterey, up from 3.7bn barrels at the end of 1996. He said that although there were contingency plans should the slide in oil prices continue, Texaco tested its investment programs at $15 per barrel and had no plans to reduce exploration spending of $800m for 1998. *Reuters, New York*

Comments and press releases about international companies coverage can be sent by e-mail to international.companies@ft.com

Time Warner ahead in final quarter

By Christopher Parkes in Los Angeles

Time Warner overcame a weak market for music and a modest performance in US cinemas to post an 18 per cent increase to $1.65bn in cash flow for the closing quarter of 1997.

Net income per share, adjusted for extraordinary items, was 23 cents, compared with a 3 cent loss in the same period last year.

Wall Street responded to the results and optimistic forecasts from Gerald Levin, chairman, by marking up the media and entertainment group's stock. The shares rose 1\frac{1}{16}$ to $65 in early trading.

The market's mood had improved on Monday when the company announced the planned sale of its stake in Six Flags theme parks, a deal expected to bring in more than $950m, which is earmarked for reducing debt.

Mr Levin said 1997 was a turning point for the heavily indebted company, and predicted more records in the current year, when he expected capital spending to be flat and free cash flow to rise. Cash flow – earnings before tax, depreciation and amortisation – rose 25 per cent for the full year to $5.4bn, on revenues up 32 per cent at $13.3bn.

Publishing operations, which include People and Time magazines, and cable divisions including TNT, the most popular primetime network, contributed most to the advance.

Higher subscription rates for cable consumers, currently subject to criticism from Washington regulators, also helped bolster results.

Cash flow from publishing rose 14 per cent to $228m for the quarter, while the Time Warner Cable division posted a record Ebitda rise of 44 per cent to $757m, bringing the year's advance to 23 per cent.

The music business continued to suffer in the industry-wide depression. Cash flow for the quarter fell40 per cent from $290m to $174m, while revenues slipped marginally from $1.2bn to $1.06bn.

Cash flow for the full year, during which the company held a 20 per cent share of the US market, and had success with Jewel, LeAnn Rimes and other top names, slipped 26 per cent, from $744m to $550m.

Warner Bros, which had an undistinguished year at the box office, reported a 10 per cent rise in cash flow for the final quarter and the year. Sales of television productions, including *ER* and *Friends*, helped the division to its 15th consecutive record year.

Admitting to "lower domestic theatrical results" for Warner Bros films, the group said international returns from *Batman & Robin*, *Contact* and *Conspiracy Theory* also contributed to the advance.

George Soros joins cattle super-league

International investor George Soros has many claims to fame.

But for Argentina's newspapers at least, he is first and foremost the country's cattle king and shopping mall supremo. Mr Soros gained these distinctions through his holdings in Argentina-based real estate company IRSA and farming and agricultural investment company Cresud.

It was Argentine investor Eduardo Elsztain who approached Mr Soros and convinced him of Argentina's potential.

Partly backed by funds from Mr Soros, IRSA, run by Mr Elsztain, and Cresud, run by his brother Alejandro, have been busy snapping up assets. Since Mr Soros and other investors acquired their stakes in 1994, Cresud has increased its agricultural land holdings from 22,000 hectares to 410,000, with a further 160,000 on lease.

IRSA, meanwhile, has been in the market for shopping centres. The most spectacular deal to date was the $183m purchase last September of the property arm of industrial and energy company Perez Companc, which included upmarket Buenos Aires shopping centre Alto Palermo. The deal, carried out with Chilean partner Parque Arauco, gave IRSA control of more than 60 per cent of the city's shopping malls, by area, and much-needed critical mass in the sector, local analysts say.

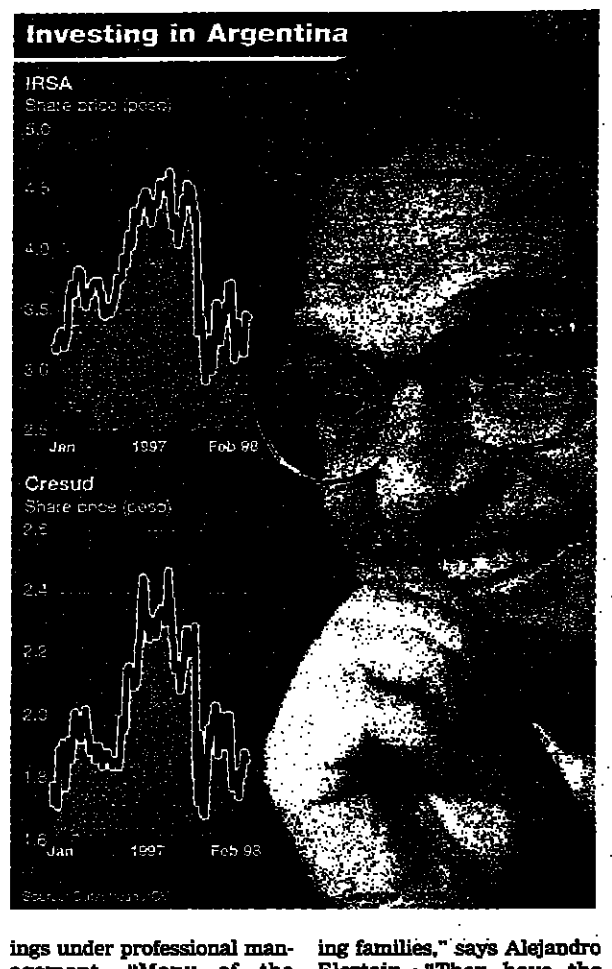
A new vehicle is being created for these retail interests, to be called Alto Palermo, which will be 51 per cent owned by IRSA, 35 per cent by Parque Arauco, and 8 per cent by Goldman Sachs Emerging Markets Real Estate Fund.

IRSA has also been building up a "landbank" of sites for development, including prime but neglected areas around the former docks area of Puerto Madero, the city's most successful urban regeneration project.

One site, home of a failed project by the Boca Juniors football club to create a "sports city", had become a resting place for rusting containers. IRSA eventually wants to turn the land, for which it paid $54m, into a riverside village for the yachting set.

Last year, it paid $13.3m to CEI Citicorp Holdings, way below most valuations, for the prestigious Llao Llao resort hotel near Bariloche.

IRSA and Cresud have separate management structures and objectives but share a number of characteristics. Cresud's growth may herald the eclipse of Argentina's old family-owned farms by bigger land holdings under professional management. "Many of the people we buy from are traditional farming and ranching families," says Alejandro Elsztain. "They have the land, but no capital to invest in modernising production."



The company last year formed a joint venture with Texas-based Cactus Feeders, the second biggest feedlot company in the US. Cattle will be brought to the feedlots, still a novelty in Argentina, for the final stages of fattening. The first feedlot will have capacity for an annual 100,000 head of cattle.

It was a single transaction last July, the $25m purchase of Swift-Armour's cattle and land in the north of Santa Fe province, that catapulted Mr Soros into the cattle-owning super-league. The deal brought Cresud over 51,000 hectares of land and 87,000 head of cattle, taking its total stock to 170,000. After a $92m rights issue last June, Cresud still has $40m for land purchases.

From their small beginnings, IRSA has a market capitalisation of $666m, and Cresud $233m. Mr Soros holds 25 per cent of IRSA, principally through his company Geosor, and about 29 per cent of Cresud, partly through his Quantum Industrial Partners.

Analysts have long favoured IRSA overCresud, and believe the company has assembled an impressive portfolio of properties. But the effects of the Asian financial crisis, already pulling Argentine growth back from 1997's 8 per cent, are likely to dampen profits.

Many analysts see Cresud at best a long-term commodity play. "The company is at the mercy of the ebb and flow of world commodity prices and demand," says Peterson Conway of broker Interacciones. "We also have doubts about some of the strategy, such as the feedlots. I'm not sure it's very cost effective to ship live cattle down from the north to feedlots, not least because they are going to lose weight on the way."

Drought and lower commodity prices bit the last quarter of the 1997 financial year, taking net income down to only $700,000 from $1.8m in the comparable quarter.

But Alejandro Elsztain remains upbeat. "Food demand will increase. Europe and the US will not subsidise agriculture for ever, and the replacement for that will be Argentina."

The Elsztain brothers also have no doubts Mr Soros will stick with them. Quantum and Mr Soros participated in IRSA's December rights issue, which raised $235m largely to pay for recent acquisitions, to the tune of $80m. Argentina's cattle king and shopping centre supremo looks like he's in for the long haul.

Ken Warn

AIG sees currency volatility easing

By William Lewis in New York

American International Group, the largest US general insurer, said yesterday the recent volatility in Asian foreign currencies had decreased in the first quarter of 1998.

Announcing fourth quarter 1997 results above analysts' expectations but affected by foreign currency movements, AIG said the exchange rates of Asian currencies against the US dollar had "shown signs of stabilisation".

The insurer said that if the trend continued, "the impact of foreign exchange upon AIG's financial statements should diminish as the year progresses".

AIG, which is involved in a takeover battle for American Bankers Insurance against Cendant, made total profits – adjusted to exclude realised capital gains, net of taxes – of $870.8m in the fourth quarter, up 14.6 per cent from the equivalent quarter of 1996.

Diluted earnings per share gained 15 per cent to $1.23, 2 cents ahead of consensus Wall Street expectations, as compiled by First Call, the Boston-based research group. In morning trading, AIG's share price increased 1.44 per cent to 115\frac{5}{16}$.

AIG said foreign exchange rates had continued to affect the translation of foreign currency net premiums written into US dollars during the fourth quarter.

The insurer reported premium growth in foreign general insurance of 10.6 per cent in local currency terms but a rise of 4 per cent in US dollar terms.

In worldwide life assurance, premium growth in the fourth quarter was 17 per cent in local currency terms, but only 5.1 per cent in dollar terms.

AIG has the largest business outside the US of any American insurer. Last December it bid $2.2bn for ABI, a Miami-based insurer, but is now facing a competing bid from Cendant.

Hank Greenberg, chief executive, said AIG's foreign general insurance business "had a good year" despite the effects of Asian foreign currency turmoil.

He added: "It was a good quarter and year for AIG. For 1997, our net income, revenues, assets and shareholders' equity all rose to record levels."

Mr Greenberg said while life business foreign premiums, when converted to US dollars, had been "adversely impacted by foreign exchange", since losses and expenses are also incurred in local currency, the "bottom line impact has been relatively small".

In addition, he said sharply rising interest rates in Asia have had a beneficial impact on operating income.

Canadian National close to US buy

By William Lewis

Canadian National Railway, the largest freight railway in Canada, is expected to announce the takeover of Illinois Central – known for its slogan "main line of Mid-America" – creating the fifth largest railway in North America.

People close to both companies said yesterday that both boards were meeting to approve the transaction. A formal announcement was expected yesterday afternoon in New York.

If successfully concluded, the new company would have approximately 18,700 route miles in North America and more than 24,000 staff.

Analysts said the combined companies would provide a north-south network running from all Canada's leading markets, through Chicago and Detroit to the Gulf of Mexico.

It is thought the two companies are poised to announce a part-stock, part-cash deal valuing Illinois Central at about $2.4bn. Sources said that Canadian National was to acquire all the common stock of Illinois Central for a combination of cash and stock valued at $39 for each Illinois Central share.

Canadian National is also to assume Illinois Central's $560m of net debt.

Canadian National is thought likely to commence a cash offer for approximately 75 per cent of Illinois Central's stock at $39 a share.

The price represents a premium of almost 18 per cent on the average closing price of Illinois Central stock in the 30 days to February 9.

Following completion of the tender offer, Canadian National will press ahead with the second stage of the merger, under which the remaining Illinois Central shares will be exchanged for cash and Canadian National shares at a value equal to $39, subject to collar arrangements.

In effect, it means the transaction will be paid for 75 per cent in cash and the remainder in stock.

In early trading on Wall Street yesterday, Illinois Central's share price was down $\frac{3}{4}$ at 35\frac{5}{8}$.

Aon acquires French broker

By William Lewis

Aon, the acquisitive international insurance broker, yesterday announced it had agreed to take over Le Blanc de Nicolay, the largest reinsurance broker in France.

Reporting fourth-quarter results in line with analysts' expectations, Aon declined to disclose terms of the acquisition and would say only that the deal was subject to regulatory consent and due diligence.

Announcement of the takeover comes just days after Aon announced an agreement to acquire Gil y Carvajal, the leading Spanish broker.

In recent months Aon has acquired Alexander & Alexander, its US rival, for $1.23bn: Bain Hogg from Inchcape for $252.9m; and Minet, the lossmaking UK broker which it acquired from St Paul Companies, the US property and casualty insurer.

Aon yesterday reported operating income from continuing operations – excluding special charges and realised investment gains – of $112m in the fourth quarter, up 37 per cent from $82m in the same period a year earlier.

Operating income per share was 65 cents, up 38 per cent from 47 cents.

For the full year, operating income was $402m, up 16 per cent from $346m in 1996. Operating income per share was $2.30, against $1.97 last year.

Fourth-quarter revenues from continuing operations increased 42 per cent to $1.5bn in 1997 from $1.1bn last year.

Net income rose 144 per cent from $46m to $113m, while net income per share for the quarter climbed 160 per cent from 25 cents to 65 cents.

Hedging buoys Barrick Gold

By Scott Morrison in Toronto

Lower operating costs and an aggressive hedging policy enabled Barrick Gold, North America's second largest gold producer, to lift fourth-quarter net income 34 per cent to US$75m, or 20 cents a share, against $56m, or 15 cents, during the same period last year.

Barrick's programme of phasing out higher-cost mines cut operating costs during the quarter 18 per cent to $172 an ounce. The company predicted its operating costs would average $170 an ounce in 1998 and $150 in 1999 as lower-cost mines go into production.

The hedging programme contributed $200m earnings in 1997. The producer realised $420 an ounce, an $88 premium over the 1997 average bullion spot price of $332 an ounce. It has 10.1m ounces, equivalent to about three years' production, hedged at US$400.

Peter Munk, chief executive, said Barrick remained focused on lowering operating costs, enhancing returns of its hedging programme and increasing cash flow. Operating cash flow for the quarter was $120m, against $121m, and reserves were unchanged at 50.3m ounces after adopting a new gold price calculation base of $350 an ounce.

Barrick produced 846,546 ounces in the fourth quarter and 3m ounces during 1997, down from 3.1m the year before. It forecast 1998 output at 3m ounces and 1999 production at 3.5m ounces, boosted by the New Pierina mine in Peru when it enters production this year. Operating costs at the open-cast Peruvian mine are expected to be as low as $50 an ounce.

Capital expenditure in 1997 was $328m and is expected to rise to $475m this year.

Canadian banks draft US plan

By George Graham in Toronto

Royal Bank of Canada and Bank of Montreal plan to expand into the US through acquisition if their proposed C$38bn (US$26.48bn) merger is allowed to go ahead.

Peter Currie, chief financial officer of Royal Bank, said his organisation had looked at 45 possible deals in the US last year, but would now be able to use Bank of Montreal's US subsidiary, Harris Bank, the third largest bank in the Chicago area, as a springboard. "We have great brand awareness in Canada, but it drops off pretty fast once you cross the 49th parallel," he said.

The merger of Canada's largest and third largest banks was announced last month but cannot go ahead until September after a government task force on the future of the Canadian financial services sector has reported. The deal has been criticised as a defensive move, both domestically and against possible US predators, but Matthew Barrett, Bank of Montreal chairman and proposed co-chairman of the merged bank, said the merger was aimed not just at cutting costs but at improving growth prospects.

"Only half the logic in this is defensive. The other half is offensive, where we would want to take it into the US through Harris, into leasing, if we are ever allowed to do it, and into insurance, if we are ever allowed to sell through our branches."

Harris has struggled to boost its market share in its regional market and has been outbid for several possible takeover targets. Mr Barrett said his "appetite for acquisitions had been diminished because of the prices".

But Bruce Galloway, vice-chairman of Royal Bank, said the combined group could look at much larger deals.

The merger plan, which would create a bank with assets of C$453bn and 2,804 branches in Canada and abroad, must first gain the approval of the Canadian competition bureau and other regulators.

COMPANIES AND FINANCE: INTERNATIONAL

Crisis weighs on heavy engineering

Despite several project postponements, the industry is trying to put a brave face on the turmoil

Asian aftershocks

The global heavy engineering industry is trying to put a brave face on the economic turmoil in east Asia.

For Jack Welch, chairman of General Electric of the US, the crisis is an "opportunity". For Goran Lindahl, chief executive of ABB, the Swiss-Swedish group, it is a "a two or three-year problem at the maximum". And for Siemens of Germany, Asia's difficulties are a "temporary *break*" *in the region's* long-term growth.

All are speaking as much in hope as in expectation. While the recent upswing in the region's financial markets has fostered a strong belief that the worst might be over for the more troubled economies, governments are only beginning to tackle some of the structural problems which helped to precipitate the crisis.

East Asian economic expansion has long been the single biggest element in the growth of the markets for electricity, transport, water and sewage scheme equipment.

The upheavals, which began last summer in Thailand, have put the brakes on this growth, throwing commercial and financial plans into the air for equipment suppliers which include some of the world's biggest engineering and construction equipment groups.

The industry has been hit by a string of project postponements. They include Malaysia's $5bn Bakun dam, in which an ABB-led consortium is the main contractor, and a $3.7bn Bangkok mass transit system contract won by Hopewell Holdings from Hong Kong. Indonesia has deferred 15 schemes, including eight power stations and four toll roads.

According to Project Finance, a London-based magazine, the value of financings completed worldwide fell to $151.5bn last year from $223.9bn in 1996, a record year. This included a drop in the Asia-Pacific region to $34.5bn from $76.3bn. While some bankers dispute the scale of the decline, they do not doubt that completions fell dramatically and could fall further in 1998.

Much of the construction work is done by local contractors in the region. But much of the main electrical and mechanical equipment components – such as turbines and generators in power stations or control systems in road schemes – are imported from north America, Europe and Japan.

The impact has mostly been limited to projects where work had yet to start or (as with Bakun) had just begun. So, the main effect on equipment suppliers has been reflected in their order intake, and not yet in sales. At Siemens, for example, orders from Asia fell 16 per cent in the three months to the end of December. But turnover from the region rose 37 per cent, boosted by a big sale of rail transport equipment to Bangkok.

Siemens says future sales growth in Asia-Pacific will be slower than in the past but will not fall to zero, even in 1998.

Caterpillar, the world's largest construction equipment maker, describes the region as "very weak", and recently announced a 3 per cent decline in Asian sales last year, with a noticeably sharper fall occuring in the second half. It forecasts a further "significant" decline in industry demand for Caterpillar machines in the region this year.

Mitsubishi Heavy Industries, Japan's largest heavy engineering company, says while there are yet to be cancellations of existing orders, some orders for power plants and chemical plants from countries including Indonesia and Thailand have been deferred. "We're very worried about the effects on profits from next year," it says.

Asia has been the fastest growing destination for Mitsubishi's exports, with the figure showing double-digit increases over the past few years. "The damage will be huge," says Masao Kawae, analyst at Dresdner Kleinwort Benson in Tokyo.

Some companies have already suffered considerable losses on specific projects, including Hopewell, which has written off $647m over the cancelled Bangkok mass transit scheme, and ABB, which has taken a $100m charge over Bakun.

ABB has been the first to respond to the crisis with a wholesale restructuring. Judging that the decline of east Asian currencies is unlikely to be reversed quickly, it last year announced plans to accelerate moves to cut 10,000 jobs in Europe and North America, at a cost of $850m.

The reductions will leave ABB better placed than some rivals to weather the storm. Companies with surplus capacity will find their costs shooting up when the downturn in Asian orders hits production volumes.

Industry executives are united in predicting that the region will eventually recover. The question is when and how fast. Caterpillar says much depends on how the region's governments handle the situation.

In addition, there are considerable differences between regions. At one extreme, there are Indonesia, Thailand and Malaysia, which have big infrastructure programmes and have been badly affected by the economic crisis.

South Korea has also been hit by the turmoil, but foreign companies have had much less access to its economy.

By contrast, in China, where the economy has been more stable, work on most large projects has continued with little delay, notably the $30bn Three Gorges hydro-electric scheme, for which the first equipment contracts were awarded last August – well after the crisis started in Thailand. Also, this month, Taiwan awarded a $660m contract for a gas-fired power station to ABB.

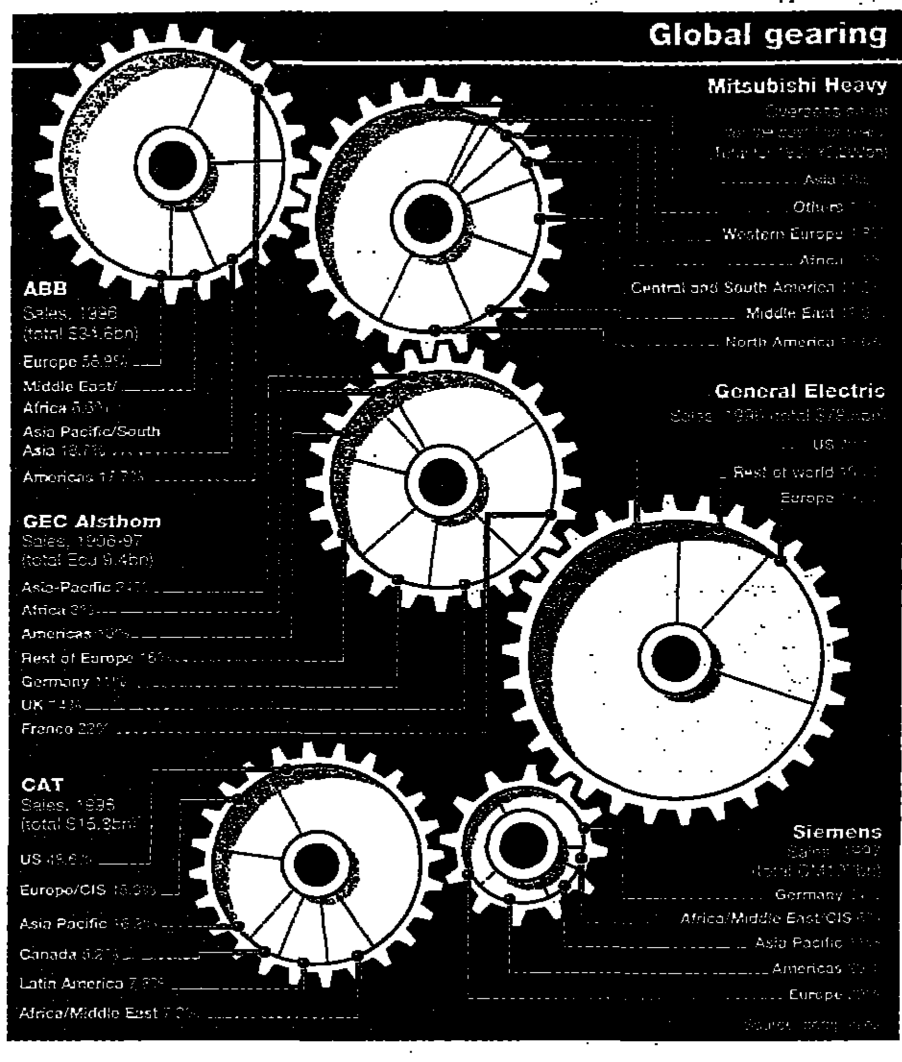
The Philippines is pressing ahead with a $4bn scheme for a 500km pipeline linking the Malampaya-Camago gas fields to Batangas, near Manila, and the construction of a gas-fired power station.

Even in Indonesia, Hopewell, in partnership with a daughter of President Suharto, has won a $1.6bn contract to build the coal-fired Tanjung Jati C plant, next to the B plant it is already building. However, bankers doubt how soon Hopewell can secure finance.

Even in more economically stable countries, financing costs have risen in response to the uncertainty. Bankers estimate that funds for projects now cost 1¼-1½ percentage points over Libor, compared with ⅞ per cent a year ago. Moreover, such is the lenders' caution that often funds are not available at all.

Stefan Wagstyl, Nikki Tait and Emiko Terazono

This is the seventh in a series on the effects of the Asian crisis. Previous articles appeared on January 27, January 28, January 30, February 4, February 6 and February 10



China backs more listings

By James Harding in Shanghai

China has approved a further 18 companies for listing on its foreign currency stock markets. The move is intended to demonstrate Beijing's eagerness to attract foreign investment and its commitment to the development of markets for international investors.

A number of the companies cleared for listing were poised to issue shares on mainland China's exchanges last year, but delayed when financial turmoil in Asia depressed prices and added volatility to the Shanghai and Shenzhen markets.

The companies chosen come from sectors in the Chinese economy promised special economic support from the government, such as transport, energy, raw materials, machinery and petrochemicals.

Foreign analysts gave a lukewarm welcome to the news, saying it signalled China's willingness to expand its small and illiquid foreign currency stock markets. But they said many of the 33 companies approved in the list last year for B-share issues had not yet reached the market.

China's stock markets are divided into A shares, which are denominated in Chinese currency and reserved for mainland Chinese investors, and B shares, which are denominated in foreign currency and reserved, in theory, for foreign investors.

On the yesterday's list were a number of large enterprises. Shanghai Consolidated, which makes air-conditioners, elevators and electric cables, is now expected to issue shares. Also listed were Liuzhou Wuling Automotive, a minivan and truck-maker; Guangdong Sanmao, a railways operator; Harbin Aviation Automotive, a minivan-maker spun out of an aircraft company; Changsha Auto Electrical, an engine-maker; Shandong Tyre Factory, and Inner Mongolia Kingdeer Cashmere.

Indian rethink on trading

By Krishna Guha in Bombay

India's financial regulator has changed course in its efforts to force institutions to trade in paperless shares, following complaints by big investors of a lack of liquidity in the electronic market.

Only eight stocks were originally earmarked for paperless trading, but institutions were banned from selling them into the paper market. This created illiquidity and a difference in price for those stocks.

The Securities and Exchange Board of India (Sebi) will allow institutions to sell paperless shares into the paper market from April 6, exposing the stocks to a wider range of buyers. Buyers in the paper market would have the option of accepting electronic delivery through their broker or converting the electronic shares back into paper.

Sebi also halted temporarily its plans to expand paperless trading to 100 stocks by the end of the year. D. R. Mehta, Sebi chairman, said the regulator acted after institutions complained of "difficulties on the exit side" because of the lack of buyers for paperless shares. "Until the system stabilises, we will not add any more shares to the list."

In a parallel move, the National Stock Exchange, the Bombay Stock Exchange and the National Securities Depositary have drawn up plans to recruit more retail investors to the paperless market. But Mr Mehta said Sebi would not reverse its decision to introduce rolling settlement for paperless shares.

India's two big stock markets operate weekly settlement cycles, and much of the apparent liquidity in the paper market results from investors shifting positions from one market to the other.

Investors welcomed the moves. "It is a step in the right direction," said Gul Teckchandani, chief investment officer at Sun F&C Asset Management.

INTERNATIONAL NEWS DIGEST

BBV in Puerto Rican purchase

Banco Bilbao Vizcaya is to pay $166m to take full control of Poncebank in Puerto Rico, as it pursues its $2bn acquisition trail in Latin America. It said the purchase would take it to fourth position in Puerto Rico's banking sector, with 8 per cent of the market, behind its Spanish rival Banco Santander, which ranks second.

Poncebank has assets of $1.1bn, with a loan portfolio of $846m, and deposits of $855m and 26 branches. It is to be merged with BBV's existing network, giving the group a total of 63 branches on the island, with 1,170 employees. Unlike Santander, which views its Latin American acquisitions as virtually completed, BBV has made clear it is still looking for opportunities to bolster its market share, with the aim of becoming one of the region's largest banking groups by 2000. Latin America contributed 27 per cent of its pre-tax profits last year, accounting for 23 per cent of group assets.

The move follows BBV's $43.76m purchase in December of the Venezuelan regional bank Banco Popular y de los Andes in a privatisation tender.

David White, Madrid

■ PACKAGING

Crown Cork upbeat on Asia

Crown Cork & Seal, the US packaging company, said it had seen some stability return to the Asia-Pacific market and hopes this "bodes well" for the year. "The region continued to be affected by major currency fluctuations and our companies were not immune to this," the group said. It added that steps it had taken to restructure its Asia-Pacific operations should lead to better results. The company did not give further details on the restructuring.

Crown Cork reported fourth-quarter earnings of $31.9m, or 25 cents a diluted share, compared with $33.3m, or 26 cents, in the same period last year. Revenues slipped from $1.96bn to $1.93bn. *Reuters, Philadelphia*

■ PHARMACEUTICALS

Russian sales lift Gedeon Richter

Sharply increased sales to Russia and other countries of the former Soviet Union boosted profits last year at Gedeon Richter, the Hungarian pharmaceuticals company.

Net profits jumped from Ft11.27bn in 1996 to Ft18.35bn ($89m). The increase was distorted by inflation, but Richter said profits were up almost 30 per cent in dollar terms. Total sales rose from Ft36.76bn to Ft52bn, or almost 13 per cent in dollar terms. Sales to Russia and the Commonwealth of Independent States, where Richter is a market leader, went up 36 per cent. Erik Bogsch, chairman, said this resulted from increased purchasing power in Russia and Richter's marketing network. The company is setting up a plant south of Moscow, initially for packaging but for the production of tablets by 1999.

Mr Bogsch said sales to Central Europe and the west had risen less than hoped for, by 3.8 per cent and 2.8 per cent respectively. He blamed the economic troubles in *Czechoslovakia* and the steep drop in purchasing power in Romania following the government's austerity programme. Mr Bogsch refused to speculate about any future merger between Richter and one of the pharmaceutical multinationals. He said there had been expressions of interest in the early 1990s, but none for two years.

Anatol Lieven, Budapest

■ REINSURANCE

Strong growth at Hannover Re

Hannover Re, the German reinsurer, said yesterday it would lift its 1997 dividend by a double-digit rate after reporting strong increases in premium income and net profits. It said gross premium income for the year was DM7.7bn ($4.2bn), against DM6.4bn in 1996. Group net profit was DM120m, compared with DM108.2m.

Capital investment during the 12 months climbed 17 per cent to DM18bn. Return on capital invested exceeded DM1bn for the first time, and was up 18 per cent from a year earlier, Hannover Re said. It attributed the rise in premium income mainly to an increase in personal and financial reinsurance. The acquisition of Skandia International Insurance's reinsurance activities contributed about DM570m to earnings growth.

Claims during the period were low, with the largest incurred from flooding in the Czech Republic and Poland last summer. *AFX News, Hanover*

■ FORT BONIFACIO

First Pacific pledges commitment

Shares in Metro Pacific, the Philippine flagship of Hong Kong's First Pacific, surged 11 per cent yesterday as the parent company reaffirmed its commitment to the largest property development in the country.

A report earlier this week suggested First Pacific might pull out of the 440ha development of Fort Bonifacio, a former military base in Manila, if the government did not honour its obligation to turn over the remaining portion of land amounting to 96ha by yesterday's deadline. Manuel Pangilinan, managing director of First Pacific, said: "Fort Bonifacio is a key asset for First Pacific, as well as Metro Pacific. That the government may not be able to deliver the outstanding land on schedule has no bearing on our plans or our commitment to complete the project. We have every reason to continue to believe that construction work will proceed as anticipated over the coming years."

Bonifacio Land Corporation, one of the joint venture partners 61 per cent owned by Metro Pacific, said it preferred the government's postponing the turnover of land amid the present property market downturn. This would give it further time to raise the 8.8bn pesos ($219m) payment. *Justin Marozzi, Manila*

■ SWEDEN

Skavsta airport seeks buyer

Sweden's Skavsta Airport, the country's third largest by cargo volumes, aims to be privatised and hopes to have a buyer by the end of the summer, its managing director said.

Hakan Steinbuchel, Skavsta managing director, said the owner – the county of Nykoping – wanted a buyer interested in expanding the airport's cargo and passenger capacity. "We have invited more than 40 Swedish and international firms to consider expansion when they think about the purchase," he said. He declined to give more details about the privatisation.

Skavsta lies an hour south of Stockholm. Arlanda, Sweden's main airport 45 minutes north of the capital, is quickly approaching the legal limit for air traffic. The problem is likely to be compounded with the expected closure of Stockholm's second airport at Bromma, scheduled for 2011.

Last year about 25,000 tonnes of freight were moved out of Skavsta, compared with 8,500 in 1996. In 1998, officials estimate the airport will move about 35,000 tonnes of cargo. Much of this growth was because KLM, the Dutch carrier, switched its regional hub from Arlanda to Skavsta. *Reuters, Stockholm*

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COMPANIES AND FINANCE: ASIA-PACIFIC

Further warning by Hitachi

By Paul Abrahams in Tokyo

Hitachi, the Japanese electronics group, yesterday issued its second profits warning in five months, revealing it would post a net loss in the second half to March.

The company, viewed as a bellwether of Japanese manufacturing, cautioned that group net profits this year would fall 77 per cent to just Y20bn ($160.8m). In the first six months it made Y37.67bn.

Hitachi blamed the profits collapse on the deterioration in the semiconductor and consumer electronics markets. It cautioned the markets were likely to remain difficult next year.

The warning is the latest from Japan's big integrated electronics groups. In recent months, the other big four – Toshiba, NEC, Mitsubishi Electric and Fujitsu – have all announced lower forecasts for this financial year.

The deterioration in business conditions has been rapid. In October, Hitachi predicted net profits of Y89bn. In 1991, it posted peak earnings of Y230bn.

Richard Kaye, analyst at Merrill Lynch in Tokyo, said: "I already expected a weakening in Hitachi's semiconductor division. I also expected a weakening in the consumer electronics and audio-visual division. But I didn't expect anything on this scale."

Pre-tax profits would be Y150bn compared with last year's Y263bn on sales down 1.1 per cent at Y8,430bn, the company said. The decline is despite cuts in capital expenditure related to semiconductors, from the Y150bn originally planned to Y120bn this financial year.

There has been a sharp downturn in Japan's consumer electronics market, caused by a collapse in consumer confidence. Nippon Electric Big-Store Association estimates year-on-year sales of audio-visual equipment fell 14.5 per cent in December, while those of heating and cooling units were down 18.9 per cent

Semiconductor prices have fallen in recent months because of decelerating demand, oversupply and slumping prices. Last month, NEC said prices of standard chips had fallen from $8 in mid-1997 to just $2 in December.

Hitachi has said it would cut D-Ram production by 20 per cent during February and March. Yesterday, Yoshiki Yagi, managing director, said the group it would take an exceptional charge of Y30bn-Y35bn to cover the costs of pulling out of Twin-Star Semiconductor, its D-Ram joint venture with Texas Instruments of the US.

The group had already announced it would post Y19.3bn worth of foreign exchange losses because of the collapse of the Malaysian and Thai currencies.

Greg Norman: planning 45 golf estates in next five years AP

Norman drives for expansion

By Gwen Robinson in Sydney

Greg Norman, the Australian golfer, raised his international business profile as well as his golfing achievements in Sydney this week.

Medallist Golf Developments, Mr Norman's golf estate development venture with Macquarie Bank, one of Australia's top 10 banks, has embarked on a multi-billion dollar expansion to build more than 45 golf estates throughout the US, Australia and Asia in the next five years.

In the US alone, the venture planned to build up to 40 golf course estates over the next five years, some with residential developments attached, he said.

About A$500m (US$335m) worth of similar projects in Australia were on the drawing board, with construction already under way on the first project, a A$100m 27-hole golf course and residential development in Queensland. In Asia, Medallist was planning associated developments and acquisitions through a "vulture" fund.

The venture is largely aimed at the US market, where more than 300 new golf courses are developed every year. But it is also a timely move into Asia, where financial upheaval has left an array of opportunities including prime golf courses and development sites.

Mr Norman and his partners are also setting up a golf course management division to sell its services to other courses throughout Australia.

Medallist's projects would be financed partly through membership packages, which would give investors equity in a project and a share in profits.

Macquarie said it was also planning to develop housing estates within the Norman golf venues and other courses throughout the world. A site in Florida is under evaluation.

The man known as "the Shark" also boosted his golfing fortunes at the weekend with what he described as one of the greatest comeback victories of his career, in the Greg Norman-Holden International tournament in Australia.

Citibank halts Thai bank buy

By Ted Bardacke in Bangkok

Citibank, of the US, said yesterday it had suspended a due-diligence review of First Bangkok City Bank, in effect halting negotiations to buy the Thai bank, which was taken over by the government last week.

Citibank signed a non-binding memorandum of understanding with First Bangkok last November to buy at least 50 per cent of the medium-sized Thai bank. The move was part of a growing wave of foreign investments in the Thai financial sector, which are seen as crucial to restoring stability to the country's financial system.

But negotiations stalled several times and last week Thailand's central bank, which had lent Bt70bn ($1.5bn) to the ailing bank to keep it afloat while Citibank considered the deal, took the bank over after writing down shareholder equity.

Citibank said the change in ownership prompted the suspension of the proposed deal. "Citibank stepping aside at this time will facilitate the new management [of First Bangkok City Bank] in their assessment of the bank during this time of transition," it said.

Citibank declined to say whether it was still interested in purchasing First Bangkok from the central bank, which has yet to decide what to do with the four commercial banks it has taken over in the past four weeks.

The options include merging them, selling them to local or foreign investors or stripping out their assets – as was done with the country's 56 liquidated finance companies – with the good assets transferred to Radhanasin Bank, a new government-owned commercial bank. The Thai government now owns six of the country's 16 commercial banks.

Analysts warn that if the central bank sells the cleaned-up banks to foreign investors, it could hurt the chances of tie-ups between other privately-owned commercial banks and foreign concerns, thus leading to more government takeovers.

ASIA-PACIFIC NEWS DIGEST

Halla looks for foreign investors

Halla, the troubled South Korean conglomerate, yesterday said it planned to seek foreign investments in its main shipbuilding and car parts businesses, while selling five subsidiaries. The group, which filed for bankruptcy protection in December, said it hoped to raise capital to save its shipbuilding business from collapse.

Halla is negotiating to sell stakes in Mando Machinery, Korea's largest car parts supplier. Possible investors include Ford Motor and ITT of the US, Sachs of Germany and LucasVarity of the UK, with various Mando plants divided among different partners. Halla is also offering to sell a car parts joint venture, Kamco, to its partner, Bosch of Germany, and talking to Dutch and Singaporean companies about investing in its shipbuilding operations. Units to be sold include hotel, cement, and pulp and paper businesses, alongside property and securities valued at Won1,000bn ($642m). Halla said Bowater of the US was interested in buying more than 50 per cent of the pulp and paper unit. *John Burton, Seoul*

■ SAN MIGUEL

Call to resolve ownership dispute

Andres Soriano, chairman and chief executive of San Miguel, the Philippine food and beverage group, yesterday urged the government to resolve a long-running dispute over share ownership to avoid lasting damage.

The group has been dogged for 12 years by a tussle between the government and Eduardo Cojuangco, a business associate of Ferdinand Marcos, the late dictator. Both parties claim ownership of about 48 per cent of San Miguel, a stake sequestered by the administration of Corazon Aquino on the grounds that it had been fraudulently amassed.

"The realities of cross-border business deals demand a level of innovation and flexibility that is simply not possible with the question of ownership unresolved," Mr Soriano said. The call for a ruling came during his explanation of the company's poor annual results, announced on Monday. Net profits halved from 6.09bn pesos in 1996 to 2.96bn pesos ($74m) last year after the group was hit by the collapse of the peso, price cuts and international expansion efforts. Last year was "one of the most difficult years ever", Mr Soriano said, and 1998 would also be difficult in light of declining beer sales, high interest rates and increased production costs. *Justin Marozzi, Manila*

■ FUND MANAGEMENT

HSBC Asian unit sheds jobs

HSBC James Capel Asia, part of HSBC Holdings, has shed 27 employees, or 8 per cent, of its Asia-Pacific staff. The job losses, mainly from sales and research, include two employees in London and one in New York.

"HSBC James Capel Asia is restructuring; we're moving from a country-based business model to a model that emphasises sectors more, and that is a leaner operation," it said. The group added that it was not abandoning its country-based system, but merely increasing the weighting given to sectors. It said the change reflected the increasingly global investment approach by the fund management industry, which tends to focus on sectors. *AP-DJ, Hong Kong*

■ HONG KONG

FPB Bank ahead 11.3%

FPB Bank Holding Company, the Hong Kong-listed banking group, yesterday announced net profits of HK$390m (US$50.4m) for 1997, an increase of 11.3 per cent. Rapid loan growth and deteriorating economic conditions prompted a big rise in provisions for bad and doubtful loans, which totalled HK$296m. However, the bank said the ratio of non-performing loans to total loans fell from 2.08 per cent in 1996 to 0.96 per cent last year.

FPB was confident in the outlook for the bank and Hong Kong's banking sector. "The aftermath of the turbulence in Asian financial markets will continue to exercise a significant influence in the first few months of 1998," it said. "But the bank has negligible loan exposure outside Hong Kong," it added, predicting recovery in the territory from the second half.

Rising money market interest rates pushed the net interest margin down to 2.8 per cent last year, compared with 3.2 per cent in 1996. Net interest income totalled HK$779m for 1997, compared with HK$762m. Other operating income rose 20.8 per cent to HK$309m. Total customer deposits rose 10.5 per cent to HK$26.78bn.

Earnings per share rose from 32.7 cents to 33.4 cents, after taking into account a new share issue in June 1997. A final dividend of 5.6 cents per share gives a total for the year of 10 cents, the same as for 1996. *John Ridding, Hong Kong*

■ FORESTRY

Carter Holt tumbles 53% in term

Carter Holt Harvey, the New Zealand forestry group, suffered a 53 per cent drop in third-quarter net earnings to NZ$25m (US$14.6m), mainly because of currency problems relating to the group's investment in Copec of Chile. Nine-month earnings at the company, which is controlled by US-based International Paper, fell 26 per cent to NZ$127m. Sales were NZ$2.24bn compared with NZ$2.28bn. John Faraci, chief executive, said: "We are operating in a highly competitive environment and face pressure in both domestic and export markets." He added that the economic crisis in Asia – which accounts for 14 per cent of sales – would put pressure on revenues in the fourth quarter. "We are strategically committed to Asia, and in the longer term remain confident in demand from the region," he said. *Terry Hall, Wellington*

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Teva ADRs tumble 23% on warning

By Judy Dempsey in Jerusalem

Shares in Teva yesterday plunged nearly 25 per cent in early trading on the Nasdaq exchange, after Israel's largest pharmaceuticals group warned its fourth-quarter results would be weaker than expected.

The shares, which trade as American Depositary Receipts, fell $10⅞ – or 23 per cent – to $36¼, with volume almost eight times normal trading levels.

Teva said fourth-quarter profits, before a one-off charge, would be about $19m-$21m, or 30-34 cents a share, compared with $30.3m, or 49 cents, in the same period of 1996. It said sales were about $290m, slightly up on $277.7m in 1996.

The one-off charge, of $34.8m, follows an exclusive US marketing and product development agreement between Teva and Biovail, the Canadian-based pharmaceuticals group.

Full-year results, however, appear to be in line with expectations. Revenues are expected to reach $1.1bn,up about 17 per cent on 1996. Profits, before the charge, will be between $120m and 123m, or $1.94-$1.98 a share – a 35 per cent improvement on 1996.

"There seems to be some overreacting," said Debra Kodish, analyst at Zannex Securities. "If you look at the figures for the whole of 1997, there are pretty much on target."

Teva blamed the disappointing fourth quarter on a number of factors, including reduced sales in Israel following healthcare reforms.

Domestic sales, which account for less than 26 per cent of total revenues, have come under pressure with growing competition in the market.

In addition, Teva is facing competition in the US – especially in the generic drug market, where it manufactures 24 of the country's top generic drugs. Sales to the US account for 50 per cent of total revenues.

But analysts believe the pressure on Teva stems from Copaxone, its multiple sclerosis treatment.

Teva said yesterday it had made "significant expenditures in the global marketing and research and development for Copaxone". Last year, more than 40 per cent of its $90m R&D budget was earmarked for Copaxone.

Teva has had high expectations for the drug, which helped lift its share price to as high as $69 last April. It claimed Copaxone could have sales of $225m by the end of this year.

However, in recent months, both the company and analysts have been less enthusiastic, and the shares had slipped to $49 by the end of last year.

Italy's keen interest in financial affairs

Liberalisation, global competition and the onset of the euro are sparking a banking revolution

Talk at smart Milan dinner parties is no longer about who is sleeping with who, but which Italian banks are jumping into bed together. The conversations have become all the more intense in anticipation of two important board meetings today in Rome and Milan.

In Rome, the board of IMI, the banking group privatised between 1994 and 1996, will decide whether to approve a merger with Istituto San Paolo di Torino, the country's largest commercial bank in terms of assets. San Paolo gave the go-ahead last Friday to the proposed merger, which would create Italy's largest banking group with total assets of about L340,000bn ($189.7bn).

In Milan, the board of Mediobanca, the secretive investment bank, will consider a new equity issue to raise about L2,000bn. The funds will be used to finance the bank's share of a L4,000bn capital increase at Assicurazioni Generali, the country's largest insurer, which is taking control of German insurer AMB as part of a deal with Allianz, also of Germany.

Tancredi Bianchi, president of the Italian Banking Association, attributes the accelerating consolidation of Italy's highly fragmented banking sector to the need to prepare for European monetary union and greater cross-border competition.

The banks are also attempting to reorganise their inefficient structures, which are burdened by labour costs well above the European average, and adapt to the new low interest environment which is putting a premium on value-added activities such as asset management and mutual funds.

A new generation of banking managers, privatisation of an industry which until a few years ago was 80 per cent in the hands of the state, financial liberalisation, and global competition are all sparking a revolution in an industry traditionally controlled by cosy non-aggression pacts.

The consolidation process started in earnest last year, with the merger of Banco Ambrosiano Veneto and the Milan Cariplo savings bank to create Banca Intesa, with total assets of about L350,000bn. Then came the privatisation of San Paolo and the arrival of new core shareholders, among them the Agnelli family holding companies Ifi and Ifil.

The old groups and networks set up around the Treasury in the state sector, and around Mediobanca in the private sector, are destined to be transformed into new alliances

Today's meetings in Rome and Milan are likely to set the mould for Italy's financial system. The old groups and networks set up around the Treasury in the state sector, and around Mediobanca in the private sector, are destined to be transformed into new alliances. A likely scenario, according to bankers and financial analysts, could see the following:

● San Paolo-IMI. This merger is regarded as complementary as it would provide San Paolo with a strong investment banking arm, reinforce both parties' leadership in Italian asset management, and give IMI a commercial banking network. The main question concerns the repercussions on IMI's existing core shareholders, which include the Cariplo Foundation, the largest single shareholder in Intesa, and the Monte dei Paschi di Siena bank.

● Mediobanca, Banca Commerciale and Assicurazioni Generali. Mediobanca has problems. Its 90-year-old chairman Enrico Cuccia, the most powerful banker in post-war Italy, no longer has a tight grip on the financial and industrial alliances he built over the past 40 years. The bank is in turmoil following the departure of Gerardo Braggiotti, its young banking star, to Lazard Frères, an ambiguous ally of the Milan merchant bank. Mr Braggiotti has the support of Antoine Bernheim, the Lazard senior partner who is also deputy chairman of Mediobanca and chairman of Generali. Mediobanca cannot remain indifferent to the manoeuvres at other banks and insurance companies.

● Intesa. Ambroveneto and Cariplo have taken a clear lead in the merger game. They are seeking to turn their integration into a success. However, Intesa would have preferred to stall the IMI-San Paolo deal and is eyeing Monte dei Paschi as a possible partner.

● Banca Nazionale del Lavoro, Banco di Napoli and INA. The government has given the go-ahead for the privatisation of BNL this year and its concurrent integration with Banco di Napoli. The Naples bank is controlled by a holding company 51 per cent owned by the INA insurance group and 49 per cent by BNL. INA is anxious to become the dominant shareholder of the new group, but is also seen as a potential takeover target by others interested in joining the concentration around BNL.

● Banca di Roma. The bank was privatised last year and already heads an important concentration including the former Banca Nazionale dell'Agricultura, various former state-owned Rome-based banks and the Rome savings banks. It has yet to transform itself into an efficient banking group, although restructuring plans are afoot under new management.

● Credito Italiano. With about L175,000bn in total assets, the Milan bank, an increasingly reluctant ally of the Mediobanca network, is relatively small compared with the groups being forged. However, it is regarded as the most successful commercial bank in the country and is closely linked to the Allianz group. It made advances to San Paolo, but has so far ruled out the possibility of launching a hostile bid against IMI.

The most notable absentees from the Italian banking board game are the foreign financial groups, although they have been keeping an eye on developments.

The Bank of Italy has sent a signal to foreign raiders that it would not look kindly on any hostile moves before it has time to regroup and consolidate. RAS, the Italian insurance affiliate of Allianz, recently sought Bank of Italy permission to increase its stake in Credito Italiano from 5 per cent to 10 per cent – just as Generali is now doing with Banca Commerciale Italiana. Without formally blocking the RAS request, the central bank said it would rather, at this stage, postpone any decision.

Paul Betts

Consolidated group figures

(Lire bn)

	Customer deposits	Customer loans	Mutual funds/ asset management
Istituto San Paolo di Torino + IMI	209,773	166,527	78,700
Banca Intesa	160,083	139,840	48,369
Credito Italiano	112,148	85,337	47,204
Comit (BCI)	93,077	89,987	23,171
BNL	101,625	107,896	10,585
Banca di Roma	99,616	104,108	18,293
Monte dei Paschi	85,514	72,100	9,665

Generali seeks to lift stake in BCI

By Paul Betts in Milan

Assicurazioni Generali, Italy's largest insurer, yesterday confirmed it had sought Bank of Italy authorisation to increase its stake in Banca Commerciale Italiana, the privatised Milan commercial bank, from 5 per cent to 10 per cent.

The announcement, which drove BCI shares up more than 5 per cent, was seen as further evidence of the pace of consolidation in the Italian financial sector.

Generali's move coincides with a proposed merger of Istituto San Paolo di Torino and the IMI investment bank. There are other talks under way throughout the sector, which may lead to the creation of larger banking and insurance groups in Italy to compete against big international banks and insurance companies.

Generali is raising L4,000bn ($2.28bn) in fresh equity in the market to finance its acquisition of a controlling stake in AMB, the German insurer. It now also appears intent on reinforcing its relationship with BCI.

BCI's other large shareholder is Banque Paribas, which raised its stake to 4 per cent last December. As Lazard Frères is a close ally and shareholder of Generali, banking analysts yesterday suggested that Generali's link up with BCI could eventually form part of a broader Franco-Italian banking and insurance alliance.

The moves around BCI and Generali are also expected to involve Mediobanca, which has a 12 per cent stake in Generali. The secretive Milan merchant bank is due to hold a board meeting today to consider a capital increase and its future strategic options in the current climate of rapid change in the country's financial industry.

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EUROPEAN NEWS DIGEST

Swiss Re hit by resignation

Insurer Swiss Re said yesterday Christian Speiser, its chief financial officer, had resigned to avoid involving the company in matters related to the Biber Group, which is being investigated by local authorities. It said Mr Speiser's resignation was aimed at giving him freedom to respond to allegations made against him in connection with his earlier activity with Biber.

Mr Speiser faces a lawsuit from creditors of Biber who claim he sold the troubled paper manufacturer too cheaply when he was chairman. Zurich authorities are investigating whether he sold two factories run by the group to Finland's Metsä-Serla and Myllykoski at prices below their true value.

Mr Speiser had been chairman of Biber prior to his appointment to the Swiss Re executive board and the post of chief financial officer last year. Swiss Re said he would be succeeded on an interim basis by Christoph Dorschel, who had held the position previously. *Reuters, Zurich*

■ CONFECTIONERY

Christmas helps lift Huhtamaki

Shares in Huhtamaki rose more than 5 per cent yesterday after the Finnish confectionery and packaging group reported sharply increased full-year profits, fuelled partly by heavy demand for Christmas sweets and chocolates. The company, best known for its Läkerol and Chewit pastilles, saw pre-tax profits jump from FM416m to FM519m ($94.3m) on underlying sales up 31 per cent to FM6.39bn.

Huhtamaki's most commonly traded I shares rose FM13.50 to FM260 after Timo Peltola, chief executive, predicted further growth in net sales and profits following the "four-month spurt" of the Christmas season. Profits last year were also enhanced by the results of the 1996 restructuring. Huhtamaki sold its non-core pharmaceutical division and acquired the European assets of Hershey Foods, the US confectionery manufacturer. Maiden contributions from those operations and rising winter demand helped offset manufacturing problems last summer, when hot and humid weather disrupted confectionery production in the Nordic region.

Earnings per share rose from FM10.29 to FM15.04 and the group proposed an increased full-year dividend of FM6, compared with FM4.50. *Tim Burt, Stockholm*

■ MEDIA

Antena 3 price cut for Pearson

Pearson, the UK media group, is set to pay less than initially expected for its 10 per cent stake in Spanish television network Antena 3, as part of an alliance agreed last September with the Telefónica group.

Recoletos, Pearson's Spanish subsidiary, said the cost of subscribing to an Antena 3 capital increase had been reduced from Pta11.5bn to Pta10.57bn ($68.7m) as a result of due diligence studies. It said the valuation of the network was revised downwards by about 8 per cent from the Pta103.9bn used as the basis for Telefónica's acquisition of the main 25 per cent in the TV company last July. The boards of Antena 3 and Recoletos this week approved new share issues at both companies to implement the shareholding deal, under which Telefónica will inject Pta23.1bn into Recoletos, taking a 20 per cent stake in the publishing concern.

Pearson, publisher of the Financial Times, will see its shareholding in Recoletos – whose titles include the business newspaper Expansión and sports daily Marca – reduced from 94.2 per cent to 75.4 per cent.

David White, Madrid

■ CROATIA

Pliva sell-off revived

The Croatian government has revived its plan to sell a stake of up to 14.16 per cent in Pliva, the pharmaceuticals company, in an international secondary share offering. The decision is a further sign of strengthening investor interest in central European equity markets. The Ministry of Finance said Merrill Lynch and Daiwa Europe, the US and Japanese investment banks, had been appointed as joint global co-ordinators for the sale.

The government was forced to abandon the offering last November in the middle of its programme of roadshows to investors in Europe and the US. The Pliva share price plunged as part of the turmoil in emerging equity markets triggered by the financial crisis in Asia. Daiwa was the sole global co-ordinator for last year's aborted share sale; Merrill Lynch has been added to strengthen the marketing and distribution of the new offering, which is planned for spring, some weeks after Pliva releases its 1997 financial results in late March. It is understood that the share sale could be expanded to include a stake of up to 5 per cent from the 10.98 per cent shareholding currently held by the European Bank for Reconstruction and Development.

The government's stake in Pliva is held by the Croatian Privatisation Fund, while Croatian pension funds hold 26.84 per cent, Zagrebacka Banka holds 12.15 per cent and small shareholders own 6.5 per cent. Pliva was the first east European industrial company to gain a full listing on the London stock exchange in 1996, when it raised $140m in a global equity offering.

Kevin Done, East Europe Correspondent

■ OIL

Sidanco asserts issue is legal

The majority owners of Sidanco, the Russian oil company under fire from its minority shareholders, yesterday struck back, arguing that its issue of a convertible bond had been legal. The dispute between Sidanco and its minority shareholders, who face dilution of their stake because of the issue, is just one of a spate of Russian corporate scandals over shareholder rights.

British Petroleum, which is completing the purchase of a 10 per cent stake in Sidanco for $571m as part of a strategy to break into the Russian oil sector, risks being drawn into the controversy. Boris Jordan, a business partner of Oneximbank, which has a majority stake in Sidanco, said minority shareholders had been fully informed of the planned dilution before purchasing their shares. "Yes, it may violate the spirit of shareholder rights, but people were informed about it before buying the shares and they didn't raise the issue at the time," he said. Some investors, however, disagreed. Charlie Ryan, head of United Financial Group, a Moscow-based brokerage, said his firm had been trading Sidanco shares without any knowledge of the convertible bond plans.

Mr Jordan insisted the closed subscription to a convertible bond issue – which will dilute the holdings of minority shareholders owning at least 4 per cent of the company – was legal under Russian law.

Chrystia Freeland and John Thornhill, Moscow

■ RETAILING

PPR jumps 27% to FFr2.6bn

A general pick-up in activity in the past three months of the year helped Pinault-Printemps-Redoute, the French retail group, to a 27 per cent improvement in annual profits. The Paris-based company yesterday released provisional figures putting net attributable profits for 1997 at FFr2.63bn ($432m), excluding exceptional items. The final figure should be further boosted by a net FFr220m non-recurrent gain. *David Owen, Paris*

Protest to Warsaw at failed bid

By Vincent Boland

Deutsche Morgan Grenfell and Credit Suisse First Boston yesterday took the unusual step of protesting to the Polish government after their bid to arrange the flotation of the country's telephone company was rejected.

The banks claim that their bid for the $2bn mandate to privatise Telekomunikacja Polska, which was awarded to Schroders last week, was more advantageous than those of their rivals, which also included groups led by Goldman Sachs and HSBC, but was disqualified purely on technical grounds.

The protest highlights growing frustration among investment banks at the Polish government's handling of the tender.

Five other banking groups were disqualified on technical grounds earlier in the process.

Powszechny Bank Kredytowy, the Polish bank in partnership with DMG and CSFB for the mandate, is also a party to the protest. The treasury ministry, in charge of privatising TPSA, has seven days to consider accepting the protest, sending it to arbitration, or rejecting it.

Bankers said yesterday that for the appeal to be successful, DMG and CSFB would have to convince the Polish government that it would get a better result from hiring them rather than Schroders.

Leica to cut costs after sales in Asia drop 47%

By Andrew Fisher in Frankfurt

Leica Camera, whose products are used by Queen Elizabeth and the Sultan of Brunei, was shaken badly by the Asian financial crisis last year as consumers in the region cut back.

The German company said sales and profits had suffered sharply in the closing months of 1997, causing it to embark on cost-cutting and streamline its product range. Asian turnover fell 47 per cent to DM11.2m ($6.17m) in the third quarter of the year ending March 31 1998.

A disappointing Christmas period in most of Europe, especially Germany, also dragged down sales. Total September-December turnover fell 12 per cent to DM67m, though the figure for the first nine months showed an 11 per cent gain to DM193m. The shares lost DM5.80 to close at DM24.

Leica, which came to the stock market in 1996, said some cameras destined for Asia had had to be diverted, putting pressure on prices in the US and Europe. Its Minox division had suffered from weakness in the cheaper compact camera market, though sales of its "spy" camera had held up.

The company plans to reduce capacity to curb the impact of the worsening sales trend, which caused nine months' operating profits to tumble from DM4.97m to only DM7,000. In the third quarter alone, Leica incurred an operating loss of DM3.77m against a DM5.65m profit the previous year.

Minox will fail to break even for the full year, and the company will push through a restructuring programme to lower annual fixed costs by at least DM2m and focus on Minox's core products. This will entail job losses as production is switched to Portugal.

Strong demand increases Argentaria retail tranche

By Tom Burns in Madrid

Strong demand from domestic investors has prompted global co-ordinators of the Pta350bn ($2.27bn) share offering in Argentaria, the Spanish banking group, to increase the retail tranche.

Morgan Stanley Dean Witter, Banco Bilbao Vizcaya, Banco Santander and Argentaria have re-allocated to small savers 1.8m shares of the 30.7m on offer, raising their share to 19.4m shares, or about 63 per cent of the total.

The move is in response to a 30.8 times subscription from retail investors for the sale, which represents the government's remaining 29.2 per cent stake in the group.

The decision to lift the retail allocation underlines the increasing trend among Spaniards to invest savings in shares.

When the government began privatising Argentaria in 1993, 42 per cent of the offer was routed to small savers and the retail tranche was only 4.6 times subscribed.

Madrid's stock exchange estimates that one in three domestic households now owns shares following a string of sell-offs last year, including the full privatisation of Telefónica and of Repsol, the energy conglomerate, as well as the partial privatisation of Endesa, the power group.

The volume of retail demand for Argentaria suggests that the further sale of Endesa equity, planned for May 25 in a issue worth $5bn will be similarly weighted towards domestic savers.

Argentaria's co-ordinators also reported a good response from international institutions. They yesterday set the maximum price for the issue at Pta10,985, just off its historic high of Pta11,030, on February 2.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

Provisional Price for Trading on 11.02.98 — Final Prices for Trading on 14.01.98

½ hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	33.68	48.94	49.39	1.08
0100	33.68	48.94	49.39	1.08
0130	36.99	52.28	52.72	1.08
0200	36.99	52.28	52.72	1.08
0230	31.77	24.97	25.42	1.08
0300	31.77	24.97	25.42	1.08
0330	31.77	24.97	25.42	1.08
0400	377.93	24.97	25.42	1.08
0430	377.93	24.97	25.42	1.08
0500	18.69	10.53	10.53	0.00
0530	12.65	10.54	10.54	0.00
0600	12.65	15.00	15.00	0.00
0630	12.65	19.08	19.51	1.08
0700	30.27	31.32	31.77	1.08
0730	34.68	32.14	32.58	1.08
0800	34.68	37.82	38.27	1.08
0830	48.11	37.90	38.35	1.08
0900	50.99	50.57	51.03	1.08
0930	48.92	38.53	39.00	1.08
1000	51.00	50.60	51.07	1.08
1030	51.00	50.61	51.07	1.08
1100	51.00	50.60	51.06	1.08
1130	51.00	38.54	39.00	1.08
1200	51.00	38.54	39.00	1.08
1230	51.00	38.53	38.99	1.08
1300	38.15	38.52	38.97	1.08
1330	38.00	38.51	38.98	1.08
1400	38.00	22.01	22.01	0.00
1430	38.05	38.51	38.96	1.08
1500	38.05	38.51	38.96	1.08
1530	18.85	38.53	38.99	1.08
1600	18.85	17.25	17.25	0.00
1630	19.01	64.65	67.28	1.08
1700	62.52	68.29	73.44	1.08
1730	62.89	109.68	115.08	1.08
1800	63.74	104.52	108.60	1.08
1830	64.09	55.27	57.00	1.08
1900	63.77	58.13	58.83	1.08
1930	62.91	47.56	48.13	1.08
2000	62.53	47.26	47.73	1.08
2030	19.00	41.91	42.38	1.08
2100	19.00	37.82	38.26	1.08
2130	19.00	32.22	32.67	1.08
2200	12.67	32.22	32.67	1.08
2230	16.75	29.31	29.78	1.08
2300	36.00	31.32	31.77	1.08
2330	38.00	29.31	29.78	1.08
2400	12.67	15.00	15.00	0.00

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.867 MWh becomes 1.8866p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. The Transmission Services Use of System Price (TSP) is charged by the National Grid Company plc (NGC) for the operation and development of its electricity transmission system for the purpose of recovering the costs arising from the operation of that system. Charges are calculated by NGC and are based on payments made by NGC into the pool. TSP is also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool and on TSP on behalf of NGC by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6780 between 8.30am and 5.15pm Monday to Friday.

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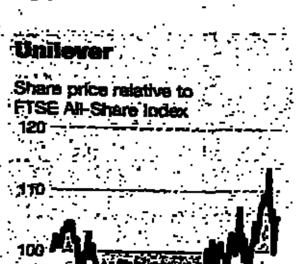
LEX COMMENT

Unilever



This time last year Niall FitzGerald, Unilever's new co-chairman, lit the blue touchpaper under the ponderous food and consumer products group. The first part of his radical plan, selling speciality chemicals (for £4.8bn to Imperial Chemical Industries), was accomplished promptly. Spending £8bn is taking much longer. This is not surprising bearing in mind the full scope of the ambitions, which include eliminating poor performers and changing the culture. The tricky part is that Unilever may have to bide its time over acquisitions. Prices tend to be high in Europe and North America, and ownership convoluted in Asia, where better value could lie. The risk is that investors will lose patience after a rerating of the stock that has seen it outstrip several European peers and keep the US leaders in sight. If the group can capture further medium-sized targets, like Brazilian ice cream maker Kibon, it should keep shareholders sweet.

But long pauses will lead to closer scrutiny of the underlying performance. While pluses outnumbered minuses in the 1997 figures, some doubts linger. In North America, Elizabeth Arden remained stubbornly weak and there were signs of lost market shares in food. This is a reminder of the hard restoration work still to be done at a time when Asian markets have turned unhelpful. The hope must be that another costly bout of restructuring has left the group with enough progress up its sleeve to avoid any disappointments.

BP affected by oil volumes and currencies

By Robert Corzine

John Browne, chief executive of British Petroleum, yesterday acknowledged "disappointment" at the group's oil production volumes last year as he announced a 7.7 per cent rise in full year replacement cost profit, before exceptionals, to £2.8bn ($4.6bn).

BP is susceptible to disappointing production volumes because about 70 per cent of its operating profits come from the "upstream" part of the group.

Pre-exceptional fourth-quarter profits were £636m, down 4 per cent on the same 1996 period. Executives blamed sterling strength and Asian currency weakness for the decline. Although only 3 per cent of BP's profits are generated in Asia, Mr Browne said he was "keeping a close eye" on developments in the region.

The fourth-quarter results were towards the lower end of market expectations and the shares fell 21p, or 2.6 per cent, to 793p.

Oil prices that were on average $4 a barrel lower than in 1996 also hit the fourth quarter result.

Mr Browne argued that the historically close link between BP's share price and the crude oil price had been substantially loosened as a result of a focus on efficiency and volume growth.

But lower oil prices in the fourth quarter took their toll of exploration and production profits, which were down from £814m to £679m.

Oil output over the full year rose almost 1 per cent to 1.25m barrels per day (bpd), well below the 5 per cent annual volume growth target.

But Mr Browne also acknowledged increasing security concerns in Colombia, one of its main sources of new production, where operations there have been threatened by left-wing guerrillas.

The final results were also hit by lower refining margins, which over the year fell to $1.80 a barrel from $2.20. However, full year refining and marketing operating profits rose from £679m to £910m, with the benefits of the European joint venture with Mobil of the US identified as the main positive factor.

In chemicals annual operating profits rose to £484m (£476m) on volume growth of 12 per cent.

Anglo-Dutch group static at £2.9bn excluding disposal profits

Unilever acts on performance

By John Willman in London and Barbara Smit in Rotterdam

Unilever has made good progress in reducing the underperforming parts of its business, Niall FitzGerald, co-chairman of the Anglo-Dutch consumer products group, said yesterday.

Announcing flat pre-tax profits, excluding exceptional items, of £2.9bn ($4.84bn) for the year to December 31, Mr FitzGerald said parts of the group accounting for just 6.5 per cent of sales were now on notice that they must improve.

When the group had begun restructuring more than a year ago, a fifth of the business had been told that failure to improve would mean being run down or sold off.

The restructuring programme, which last year included the sale of the speciality chemicals business to ICI, had raised margins by almost one percentage point. It had also released resources for marketing and promotion, which had reached more than 12 per cent of sales.

Unilever has set itself the target of being in the top third of a group of international consumer goods businesses in terms of shareholder return, said Mr FitzGerald. The reference group included US groups such as Coca-Cola and Colgate, Shiseido of Japan and European groups such as Danone, L'Oréal and Nestlé.

"In 1997, we moved up two places to just above the median," said Mr FitzGerald.

Unilever made 23 acquisitions in 1997 and sold 19 businesses in addition to speciality chemicals. The group was in no hurry to spend its net cash surplus of £3.2bn, Mr FitzGerald said. If suitable acquisitions could not be found in two or three years, he would consider returning capital to shareholders.

Turnover fell 11 per cent to £29.8bn, because of disposals and the strength of sterling. . Profits including exceptionals rose 78 per cent to £4.7bn.

Unilever NV, the group's Dutch wing, reported net profits of Fl 5.7bn ($2.83bn), up 24 per cent excluding extraordinary items. Net sales for the continuing operations increased 12 per cent to Fl 90.6bn. The shares were unchanged at Fl 124.6.

Morris Tabaksblat, Unilever's Dutch co-chairman, said the guilder results had been enhanced by favourable exchange rates, adding about Fl 795m to net profits. Last year the sterling/guilder rate increased by 21.5 per cent which helped inflate net earnings by 11 per cent.

At constant rates, excluding extraordinary net earnings of Fl 6.3bn, net profits rose 13 per cent to F l5.2bn while sales for continuing operations increased 3 per cent to Fl 83.2bn. The final dividend is Fl 1.49, lifting the total 27 per cent to Fl 2.23.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Amstrad	6 mths to Dec 31	30.9	(24.9)	0.879L♠	(1.26)	1.14L	(1.62)	0.2	Apr 7	0.2	-	0.5
Beechcroft Φ	Yr to Oct 31	3.3	(3.68)	0.324	(0.317)	0.17†	(0.36)	0.05	Mar 23	-	0.05	-
BOC	3 mths to Dec 31	971.2	(961.7)	93.5	(102.7)	12.47	(13.49)	-	-	-	-	29
BP	Yr to Dec 31 §	43,460	(44,731)	3,646♠	(3,667♠)	43.3	(45.5)	5.75	May 5	5.25	22	19.5
Future Integrated Φ	6 mths to Nov 30	4.56	(2.12)	0.18L♠	(0.03L)	1.37L	(0.25L)	-	-	-	-	-
Headway	6 mths to Dec 31	11.3	(10.6)	0.872	(0.603)	3.9	(2.8)	0.65	May 1	0.35	-	1.3
Inn Business	Yr to Nov 30	32.5	(15.1)	6.33♠	(2.23♠)	6.76†	(4.48#)	1.25	Apr 10	1	1.875	1.55
Ionica	9 mths to Dec 31	8.23	(1.15)	112L	(22L)	77.22L†	(26.01L)	-	-	-	-	-
Porvair	Yr to Nov 30	70.2	(55.4)	6.85	(4.15)	18	(11)	4.1	Apr 9	3.7	6.2	5.6
Reuters	Yr to Dec 31 ★	2,882	(2,914)	626♠	(652)	24‡	(27.3)	9.9	Apr 27	9	13	11.75
Stanford Rook Φ	Yr to Dec 31	-	(-)	1.76L	(0.965L)	9.12L	(5.06L)	-	-	-	-	-
Unilever	Yr to Dec 31 ‡‡	29,766	(33,522)	4,723♥	(2,657)	44.55	(21.47)	5.62	May 22	5.44*	8.42	8.013*
Zetters	9 mths to Dec 31	13.29	(11.66)	1.54	(0.856)	-	(-)	-	-	-	-	10

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Henderson TR Pacific	Yr to Dec 31	68.1	(109.8)	1.36	(1.54)	0.689†	(0.896)	0.45‡	Apr 17	0.25	0.45‡	0.25

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. ΦAim stock. §Historical cost. †On increased capital. ‡On reduced capital. #Restated. ★Comparatives restated. ‡‡At current exchange rates. *After share subdivision. ‡Includes 0.2p special.

NEWS DIGEST

BOC disappoints with £93.5m

A swift programme to batten down the hatches in Asia failed to prevent BOC from disappointing the market yesterday with a 9 per cent drop in first-quarter pre-tax profits.

The industrial gases group, which generates nearly a third of its sales in Asia, reported pre-tax profits of £93.5m ($156m) in the three months to December, compared with £103m. Turnover rose 1 per cent to £902m.

The outcome was considerably below analysts' expectations and the shares fell almost 7 per cent, closing 66p lower at 905p.

However, Danny Rosenkranz, chief executive, said the results had been "distorted" by exchange rates and discontinued operations. Underlying profits in the north Pacific region had "held up well". Currency movements cut more than £6m from profits, which also suffered from a poor performance at Ohmeda, the soon-to-be-divested healthcare division, where operating profits of £5.3m fell well short of the £13m reported a year earlier. In industrial gases, operating profits fell 2 per cent on sales down 1 per cent, although performance was supported by the 50 per cent of Asian business backed by take-or-pay contracts.

Jenny Luesby

US investors eye Powerscreen

US investors have been increasing their stake in Powerscreen International, the Northern Ireland-based engineer, taking advantage of the sharp price fall in the wake of accounting problems. Powerscreen said yesterday that Capital Group, a US fund manager, holds 7.15 per cent of the company, up from 6.5 per cent announced on February 4 and 6 per cent in October.

The announcement follows a statement last week that Fidelity International, another US institution, holds 4.02 per cent. It had not previously held a notifiable stake. It also said Janus Capital Corporation, an investment adviser to mutual funds in the US, holds 5.16 per cent. That is a slight fall on Janus's holding in December of 5.8 per cent.

The recent buying by US institutions has exploited a fall in the share price from 552½p to as low as 182p and appears to explain a slight rally in the shares since their lows of last week. The slide was triggered by the announcement that accounting problems at its Matbro subsidiary required a provision of £46.7m. KPMG, the company's auditors, are conducting an investigation. The falls were further exacerbated when it emerged that JCB, a rival engineer, suspected problems at Matbro in November.

Robert Wright

Intrum Justitia goes private

Intrum Justitia, Europe's largest debt collection agency, is to be taken private in a £126m ($210m) cash deal that ends its eight year history as a public company.

The move, announced yesterday, came as the company issued its second profits warning in the past eight months. It said 1997 pre-tax profits would be about £10m, against an expected £11.5m.

Intrum is being acquired by Collector, a new company 52 per cent owned by Industri Kapital, a north European private equity fund. The remaining 48 per cent is held by Synergy, a company owned by Bo Goranson, who has been Intrum's main shareholder with a 34 per cent stake.

The offer price is 120p a share – well above the 73½p level at which the shares were trading in November before the company announced it had received a bid approach. The company was floated in 1990 at 81p, and the shares closed yesterday up 7p at 118p.

Christopher Brown-Humes

WMI pulls out of markets

Waste Management International, the US-controlled waste disposal company, said yesterday that cutting the rot from its business by withdrawing from under-performing markets such as Spain and France was "well under way".

"The company is now well positioned to focus additional resources on developing new business, both organically and through strategic acquisitions in targeted markets," said Bo Gabrielson, chief executive.

WMI said it envisaged capital expenditure of £120m-£135m ($225m) this year, including spending on acquisitions, possibly in Latin America and Asia.

The comments came as it reported a 19 per cent decline in 1997 pre-tax profits ,from £158.7m to £129.1m. It took an exceptional charge of £65.5m (£127.7m) for the restructuring of its overseas operations.

Bid talk lifts Cookson shares

Shares in Cookson Group, the industrial materials company, leapt 28p to 217p yesterday after rumours that it was facing a bid from Allied Signal, the US conglomerate with interests spanning car parts and chemicals.

Neither company would comment yesterday but a prominent US industry commentator said the rumours had no substance.

Analysts said Cookson was vulnerable to an opportunistic bid following a decline in its share price over the past 18 months. The shares fell from a high of 323p in 1996 to a low of 170½p last month.

INTERNATIONAL CAPITAL MARKETS

Buying shifts into long-dated gilts

GOVERNMENT BONDS

By Simon Davies in London and John Labate in New York

Government bond markets moved higher yesterday, buoyed by low UK inflation figures and further evidence of productivity improvements in the US.

An unexpected fall in the rate of underlying inflation in the UK pushed the March UK GILT contract up ¾ to at 123⅟₁₆, just below its high.

Kevin Adams, gilts strategist at Barclays Capital, said: "The retail numbers were very good. The underlying message is that the retailers do not have any pricing power, and neither do the manufacturers. We are on the verge of saying that this is it, in terms of any further interest rate rises."

In recent weeks, most of the action has been at the shorter end of the yield curve, with the gap between two-year and 10-year yields narrowing by 22 basis points in the last three weeks.

But buying shifted into the longer-dated gilts yesterday, and the yield spread against 10-year bunds narrowed to 104 basis points. Analysts suggested it could break through 100, if today's earnings data support the recent trend.

GERMAN BUNDS had a quiet day, with investors unconcerned by recent calls to postpone the launch of European monetary union. The March contract gained 0.30 to settle at 106.60. The yield curve continued to flatten, with little action in shorter-dated bonds.

Kit Juckes, bond strategist at NatWest Markets, said: "The 10-year to 30-year spread should contract further. Why on earth you need this degree of spread given current inflation risks is a mystery to me."

Trading in **ITALIAN BTPs** was also quiet. The March contract settled at 117.64, up 0.34, while the spread against bunds was 37 points.

However, there were continuing signs of indigestion in **FRENCH OATs**, with another auction tomorrow. The March notionnel settled 0.24 higher at 102.88.

US TREASURIES climbed in early trading as new figures on productivity were published and US stocks surged. By midday the benchmark 30-year Treasury bond had gained ¼ to 102¾, sending the yield down to 5.926 per cent.

Shorter-term issues were also firmer, with the 10-year note up ⅛ to 103⅔, yielding 5.632 per cent, and the three-year note $\frac{1}{32}$ higher at 100⅔, yielding 5.425 per cent.

"I think we may be following the stock market, with some spill-over buying," said Tom O'Connell, senior government trader at First Chicago Capital Markets. By early afternoon the Dow Jones Industrial Average was trading above its record closing high.

A midday auction of $13bn in three-year notes was said to be having a positive tone after a week of lower Treasury prices, as many in the market prepared for this week's three auctions.

Although there are few important economic releases this week, new data was reported on business indicators yesterday. Business productivity rose 2 per cent in the last quarter of 1997, ahead of expectations.

Higher productivity is a bullish indicator for bonds, offering a potential offset to higher inflation rates.

Unit labour costs increased by 3 per cent for the quarter, while the Commerce Department reported that wholesale business inventories rose 0.9 per cent in December after a 0.7 per cent rise in November.

European exchanges nearer to alliance

By Samer Iskandar

Continental Europe's derivatives exchanges took a step towards closer co-operation yesterday by signing a memorandum of understanding to form a so-called "Euro Alliance".

The aim of the alliance between Frankfurt's Deutsche Terminbörse and Switzerland's Soffex on the one hand, and France's Matif and Monep on the other, is "the full convergence of today's different platforms to a joint architecture . . . by January 2002", the exchanges said.

DTB and Soffex last week announced they would fully merge this autumn to form a market offering all their products on a single electronic trading system.

The first step of the alliance, starting in April, will consist of offering cross-membership – allowing members of one exchange to trade on the other.

By October, all fixed income products from Matif, DTB and Soffex, should be listed and traded on a single screen, although foreign participants will have to clear their trades through local clearing members.

A cross-clearing link would be added by the middle of next year, the exchanges said. This would allow substantial savings on margins – deposits with the clearing house to cover potential losses.

Cross-clearing will make it possible to offset the margin deposit on one contract against the deposit on another product.

The exchanges said they hoped that by 2002 the move would also allow them to link their cash equity markets.

CAPITAL MARKETS NEWS DIGEST

New family of European indices

Details of a new family of European indices to help investors deal with the impact of the single currency on capital markets were released yesterday by the German, French and Swiss stock exchanges and Dow Jones, the US *business information* group.

The index family will be known as Stoxx and will cover the wider European market and the narrower European monetary union area. The indices are designed as a benchmark for big investors looking across Europe rather than at individual markets.

However, Stoxx will compete with other products, such as the Eurotop indices launched by the Amsterdam Stock and Options *Exchange and FTSE International, owned by* the Financial Times and the London Stock Exchange.

The Stoxx indices will include a broad European index, with 666 companies, and one for countries expected to join European monetary union at the start, with 326 stocks. However, investor interest is likely to focus on the two blue-chip indices, each with 50 stocks. One will cover Europe and the other the Emu area. All four will be *launched on February 26.*

Called the Dow Jones Euro Stoxx 50, the Emu blue-chip index will be headed by Royal Dutch Petroleum, with a 9 per cent weighting, Allianz, the German Insurance group, with 5.5 per cent, and Deutsche Telekom, with 4 per cent. Eni, the Italian energy group, will have a 3.6 per cent weighting and France Telecom 3.5 per cent.

The wider European blue-chip index, Dow Jones Stoxx 50, is also headed by Royal Dutch Petroleum, followed by Glaxo Wellcome, the UK pharmaceuticals concern, and Novartis, the Swiss pharmaceuticals group. British Petroleum and Lloyds TSB, the UK banking group, rank ahead of Germany's Allianz. The UK is not expected to join Emu in the first wave next year, while Switzerland is not a candidate for membership. *Andrew Fisher, Frankfurt*

■ CREDIT DERIVATIVES

Nordic market to catch UK

The nascent but growing market for credit derivatives among Nordic banks is expected to converge with the larger London market in coming years, according to a recent survey*. "The Nordic market is a couple of years behind London but the existing gap will narrow as the Nordic market matures," the authors say.

The survey also reveals disagreement between banks over pricing methods. "Only one of the four banks with outstanding transactions in 1997 made analysis of default correlation between the counterparty and the underlying asset," the study says. This could lead banks to take higher risks than they are aware of, for example when the counterparty is based in the same country as the asset underlying the transaction.

**Credit Derivatives: A survey among the largest Nordic banks 1997. Uppsala University, Department of Business Studies.* *Samer Iskandar*

Canada issues $2bn global

INTERNATIONAL BONDS

By Samer Iskandar and Edward Luce

Canada yesterday launched its largest global bond – $2bn of five-year notes.

The deal met "overwhelming demand", according to Merrill Lynch, joint lead manager with CIBC Wood Gundy and J. P. Morgan.

As a result, the amount was increased from the initial $1.5bn and the spread tightened by roughly a basis point after the launch, although the pricing (21 basis points over US Treasuries) was described as "on the tight side".

The fair price for Canada in yesterday's market conditions stood at a spread of 24 basis points, according to Mooyaart Consult, a bond pricing company that analyses bonds based on the pricing and performance of the most liquid issues by 200 frequent borrowers.

"In view of the rarity value and the bond's benchmark status, the borrower has a reasonable chance of getting away with the tight pricing," Mooyaart said.

The lead managers said investors were still showing a preference for bonds with high credit ratings. The relatively short maturity also attracted some demand from central banks, which often have a policy of not investing in maturities of more than five years.

ABBEY NATIONAL set a benchmark, in the five-year euro sector with a 1bn euro offering. The bond, priced to yield 17 basis points over the Ecu-denominated OAT curve, was the largest euro issue in that tenor.

Paribas, joint lead with Salomon Brothers, said the bond had attracted demand from an "unprecedented" range of institutional investors across Europe.

"This is really a snapshot of what is happening in Europe right now," it said. "Investors are waking up to the euro."

Abbey National chose the five-year sector to avoid the increasingly high-profile competition to set a benchmark in the 10-year maturity. Well-known borrowers, such as the European Investment Bank and L-Bank, are issuing large 10-year deals.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
■ US DOLLARS							
Bell Atlantic Fin Servs(a)§	2.3bn	5.75#	100.00	Apr 2003	2.50	-	SBC Warburg Dillon Read
Canada	2bn	5.625#	99.716R	Feb 2003	0.25R	+21(5¼Jan03)	CIBC/Merrill/JP Morgan
Storebrand(b)‡	175	(b1)	99.975R	undated	0.625R	-	JP Morgan Securities
Merrill Lynch & Co(c)§	150	1.00	100.00	Mar 2003	undiscl	-	Merrill Lynch International
■ D-MARKS							
DeNIB	200	4.50(s)	99.381R	Dec 2002	0.275R	+17(4½Aug02)	ING Barings
■ FRENCH FRANCS							
Frankfurter Hypo(d)‡	1bn	(d1)	99.91R	Mar 2009	0.35R	-	CDC Marchés/CAI
■ ITALIAN LIRE							
Petroleos Mexicanos‡	200bn	(e)	99.50R	Mar 2008	0.25R	-	Cariplo/Chase Manhattan
■ SWISS FRANCS							
North East Finance of Japan	190	3.00	103.10	Mar 2005	2.50	-	Banque Paribas (Suisse)
■ GUILDERS							
Norddeutsche Securities(f)	250	5.875	104.168R	Sep 2007	0.325R	+23(8¼Sep07)	ABN Amro
■ EUROS							
Abbey Natl Trsy Services(g)	1bn	4.875	99.913R	Feb 2003	0.275R	+17(i)	Paribas/Salomon
■ LUXEMBOURG FRANCS							
Bayersche Verensbank	2bn	5.625	102.45	Mar 2008	2.00	-	BIL/Paribas Lux
■ CANADIAN DOLLARS							
Toyota Credit Canada(s)	200	5.375(s)	99.33R	Dec 2003	0.275R	+22(5½Sep02)	ABN Amro/CIBC

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. § Convertible. ‡ Floating-rate note. # Semi-annual coupon. R: Fixed re-offer price; fees shown at re-offer level. a) Exchangeable into Telecom New Zealand shares at 20% premium. Fixed later this week. Callable after 3 yrs at 102.30% falling to par. b) Callable in Feb 03 and every 5 yrs at par. b1) 6-mth Libor +70bp to Feb 03, then +145bp to Feb 08, then +170bp. c) Exchangeable into Novartis registered shares at SFr3310. FX: SFr1.4593/$. Callable from Mar 01 subject to 150% (of SFr2,551) hurdle. d) Oeffentliche Pfandbrief. d1) Tec-10 –70bp. e) 11¼% for yrs 1–3, then 11¼% –12-mth Libor; redemption to ensure min re-offer IRR of 5%. f) Fungible with Fl 500m. Plus 164 days accrued. g) Pays in Ecu prior to Emu. Spread related to French govt Ecu bonds. i) Over interpolated yield. s) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Feb 10	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	04/00	7.000	103.6767	5.18	–0.02	–0.09	+0.10	–1.09
	10/07	10.000	129.1773	5.94	–0.01	–0.04	+0.30	–1.42
Austria	09/99	7.000	104.3300	4.13	–0.01	+0.03	–0.05	+0.52
	07/07	5.625	103.3800	5.16	–0.03	+0.01	–0.02	–0.41
Belgium	01/00	4.000	99.9100	4.05	–0.01	+0.02	–0.10	+0.60
	03/07	6.250	107.8700	5.15	–0.02	+0.01	–0.02	–0.53
Canada	09/99	4.750	99.6800	4.96	–0.01	–0.02	+0.30	+1.15
	06/07	7.250	113.0200	5.43	–0.01	+0.05	+0.16	–0.91
Denmark	12/99	6.000	103.0300	4.23	–0.01	-	–0.02	+0.45
	11/07	7.000	111.4700	5.45	–0.03	+0.02	+0.10	–0.81
Finland	01/99	11.000	106.4819	3.70	–0.01	+0.05	–0.01	+0.14
	04/06	7.250	113.9240	5.12	–0.01	+0.04	–0.02	–0.79
France	01/00	4.000	100.0300	3.98	-	+0.02	–0.07	+0.60
	10/04	6.750	111.1300	4.76	–0.03	-	–0.03	–0.15
	10/07	5.500	103.0800	5.09	–0.03	+0.02	+0.01	–0.35
	10/25	6.000	104.6200	5.66	–0.04	+0.01	+0.04	–0.71
Germany	09/99	4.000	100.2000	3.86	-	+0.02	–0.07	+0.56
	11/04	7.500	115.1800	4.81	–0.02	–0.01	–0.05	–0.39
	07/07	6.000	106.8300	5.06	–0.04	-	–0.02	–0.50
	07/27	6.500	112.0300	5.65	–0.04	–0.01	-	–0.79
Ireland	04/99	6.250	101.5600	4.79	–0.02	+0.08	+0.07	–0.84
	08/06	8.000	117.8000	5.34	–0.02	+0.02	+0.01	–1.13
Italy	05/00	6.000	102.5000	4.81	–0.02	+0.01	+0.13	–1.45
	05/02	6.250	104.8500	4.97	–0.02	-	+0.05	–1.51
	07/07	6.750	110.0900	5.36	–0.05	–0.03	+0.01	–1.83
	11/26	7.250	118.6200	5.90	–0.03	–0.02	+0.07	–1.97
Japan	03/00	6.400	111.5200	0.82	-	-	+0.20	+0.19
	12/02	4.800	115.8800	1.39	–0.01	–0.06	+0.15	–0.35
	09/05	3.000	108.5500	1.79	–0.01	–0.06	+0.12	–0.60
	09/17	3.000	106.0100	2.61	–0.01	–0.04	+0.11	–0.54
Netherlands	11/99	7.500	105.8900	3.95	–0.03	–0.02	–0.13	+0.36
	02/07	5.750	105.2100	5.02	–0.03	+0.01	–0.04	–0.48
New Zealand	02/00	6.500	93.4386	7.37	–0.04	+0.03	–0.24	+0.08
	11/06	8.000	108.0082	6.75	–0.03	–0.04	–0.03	–0.61
Norway	01/99	9.000	104.3800	4.26	–0.02	–0.02	+0.03	+0.55
	01/07	6.750	109.3000	5.33	–0.01	+0.03	+0.03	–0.35
Portugal	03/99	9.500	104.4573	4.29	–0.01	–0.01	–0.16	–1.16
	02/07	5.625	109.0916	5.33	–0.02	-	–0.07	–1.28
Spain	07/99	7.400	104.1657	4.36	–0.04	+0.06	–0.04	–0.34
	03/07	7.350	114.5924	5.29	–0.04	-	–0.08	–1.43
Sweden	01/99	11.000	105.5411	4.80	+0.01	+0.06	–0.04	–0.22
	08/07	8.000	116.7110	5.67	–0.02	+0.05	–0.09	–1.07
Switzerland	03/00	5.000	107.0000	1.55	+0.05	–0.02	–0.14	–0.29
	06/07	4.500	113.2300	2.86	–0.02	–0.04	–0.26	–0.75
UK	08/99	6.000	99.2513	6.51	–0.06	–0.09	–0.10	–0.35
	11/04	6.750	103.7813	6.06	–0.09	–0.11	–0.06	–0.38
	12/07	7.250	109.0313	6.02	–0.08	–0.05	+0.01	–1.14
	06/21	8.000	124.6563	6.02	–0.06	–0.03	+0.05	–1.31
US	10/99	5.625	100.3050	5.43	-	+0.08	+0.24	–0.42
	11/04	7.875	112.5860	5.51	–0.03	–0.07	+0.25	–0.54
	08/07	6.125	103.5940	5.63	–0.02	+0.08	+0.24	–0.77
	02/27	6.375	105.6720	5.96	–0.02	+0.07	+0.23	–0.74
ECU	01/00	4.000	99.4700	4.29	–0.04	+0.01	–0.07	–0.29
	04/07	5.500	102.2800	5.18	–0.03	+0.01	–0.03	–0.77

London closing. *New York mid-day. Source: Interactive Data/FT Information. Yields: Local market standard/Annualised yield basis. Yields shown for Italy exclude withholding tax at 12.5 per cent payable by nonresidents.

10 YEAR BENCHMARK SPREADS

Feb 10	Bid Yield	Spread vs Bunds	Spread vs T-Bonds		Bid Yield	Spread vs Bunds	Spread vs T-Bonds
Australia	5.94	+0.88	–0.35	New Zealand	6.75	+1.69	+1.16
Austria	5.16	+0.10	–0.43	Norway	5.33	+0.27	–0.26
Belgium	5.14	+0.08	–0.45	Portugal	5.33	+0.27	–0.26
Canada	5.42	+0.36	–0.17	Spain	5.29	+0.23	–0.30
Denmark	5.44	+0.38	–0.15	Sweden	5.67	+0.61	+0.08
Finland	5.12	+0.06	–0.47	Switzerland	2.86	–2.20	–2.73
France	5.09	+0.02	–0.50	UK	6.02	+0.96	+0.43
Germany	[illegible]	[illegible]	[illegible]	US	[illegible]	[illegible]	[illegible]
Ireland	[illegible]	[illegible]	[illegible]	ECU	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]				
Japan	[illegible]	[illegible]	[illegible]				
Netherlands	[illegible]	[illegible]	[illegible]				

EMERGING MARKET BONDS

[illegible]

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	102.60	102.88	+0.24	102.96	102.56	97,101	113,039
Jun	102.00	102.26	+0.24	102.26	102.00	723	12,476
Sep	101.76	102.04	+0.24	101.76	101.76	2	–

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

[illegible]

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

[illegible]

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

[illegible]

■ NOTIONAL GERMAN BUND (BOBL) FUTURES (DTB) DM250,000 100ths of 100%

[illegible]

■ NOTIONAL GERMAN BOBL FUTURES (LIFFE)* DM250,000 100ths of 100%

[illegible]

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

[illegible]

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

[illegible]

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

[illegible]

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

[illegible]

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

[illegible]

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

[illegible]

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

[illegible]

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

[illegible]

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

US CORPORATE BONDS

Feb 9	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd v Govts
■ UTILITIES								
Pac Bell	07/02	7.25	AA–	104.7051	6.01	+0.04	+0.31	+0.49
NY Tel	08/25	7.00	A+	99.0820	7.07	+0.02	+0.20	+1.13
CWE	05/08	8.00	BBB	109.6876	6.67	+0.02	+0.28	+1.03
[illegible]								

US INTEREST RATES

[illegible]

INTERNATIONAL BONDS

Feb 10	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Govts
■ EURO DM								
EIB	02/07	5.750	AAA	104.6000	5.10	–0.03	–0.03	+0.12
Spain	01/07	5.750	AA	104.1400	5.16	–0.03	–0.07	+0.16
Philip Morris	03/03	5.375	A	101.0200	5.17	–0.04	–0.05	+0.54
[illegible]								

UK BONDS

FTSE Actuaries Govt. Securities

[illegible]

FT Fixed Interest Indices

[illegible]

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

CURRENCIES AND MONEY

Sterling follows inflation downwards

MARKETS REPORT

By Simon Kuper

The pound dropped after underlying inflation in the UK hit the Bank of England's target rate for the first time in eight months.

The 0.3 per cent slide in retail prices in January surprised the market. The underlying inflation rate dropped to 2.5 per cent in January, hitting exactly the target that the Bank has been tasked to achieve.

The figures followed tame producer price data on Monday. "Inflation? What inflation?" asked Robin Aspinall, chief economist at National Australia Bank in London. Today investors will scan UK earnings figures and the Bank's quarterly Inflation Report for more evidence that base rates have peaked.

The pound fell 2.4 pfennigs against the D-Mark and 0.9 cents against the dollar to close in London at DM2.938 and $1.624.

Sterling has lost nearly 3 cents against the dollar since Friday's London close. However, hit by the weak pound, the dollar fell Y0.9 against the yen and 0.5 pfennigs against the D-Mark to Y123.4 and DM1.809.

Short sterling futures contracts jumped to reflect lowered expectations for UK rates. The December 1998 contract rose 8 basis points to price in base rates of about 6.75 per cent, 50 basis points below today's level.

■ The Indonesian rupiah soared on expectations that it might soon be pegged. Officials have said they are considering setting up a currency board.

But many in the market doubt a peg would work. They believe that a currency fix – probably at about Rp5,500 to the dollar – would require unsustainably high interest rates. The World Bank and the International Monetary Fund oppose a currency board.

The rupiah nonetheless rose from 9,400 against the dollar to 7,400/700, helping the Malaysian ringgit advance from M$3.825 to M$3.59 against the dollar.

■ Is this the end for sterling? Certainly, no one expects it to rise again. Carl Weinberg, chief economist at High Frequency Economics in New York, notes that three times in December the pound tried and failed to break DM3 against the D-Mark. That suggests that now the only way is down.

Neil MacKinnon, chief economist at Citibank in London, agrees. He shares the consensus view that rates have peaked, and he believes that sterling's movements for the past year have correlated neatly with the outlook for base rates.

Yet both he and Mr Weinberg predict that the pound's descent will be gentle. Because everyone has been expecting a sterling fall, the precious few investors now need to offload the currency, says Mr MacKinnon. The fund managers he speaks to have not been long the currency for weeks.

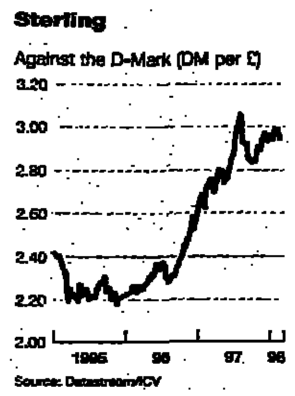
And though UK rates may have peaked, they are still the highest in the developed world. In Mr MacKinnon's view, they will remain so longer than the money market expects. Fear of consumer splurges and "traditional concerns over inflation" will keep the Bank from cutting rates for the meanwhile, he predicts. Goldman Sachs even forecasts one or two rate increases this year.

■ David Marsh, director of European strategy at Robert Fleming Securities in London, has thought of a scenario which could cause a delay to monetary union.

Four academics have asked the German Constitutional Court to rule that aspects of Emu are unconstitutional. Mr Marsh says the court has told him to expect an announcement next week. Assuming that the court agrees to hear the case, he says, there would be no way that it could then make a decision before May, when the founding Emu members are to be chosen.

Mr Marsh says that with the case still in court, Germany would be unable to commit to joining Emu. The European central bank could not start work. Monetary union itself might be delayed.

The counterargument is that the court might let Germany proceed even if the case were still being heard. Slapping an injunction on the largest economic project of postwar Europe might embarrass even a judge.



Source: Datastream/ICV

■ **Pound in New York**

Feb 10	—Latest—	— Prev. close —
£ spot	1.6245	1.6295
1 mth	1.6222	1.6272
3 mth	1.6174	1.6223
1 yr	1.5992	1.6032

■ **OTHER CURRENCIES**

Feb 10	£	$
Czech Rp	55.6704 - 55.7615	34.2840 - 34.3190
Hungary	336.078 - 336.356	206.970 - 207.020
Iran	4874.40 - 4871.40	3000.00 - 3000.00
Kuwait	0.4957 - 0.4967	0.3053 - 0.3057
Peru	4.5645 - 4.5738	2.8110 - 2.8150
Poland	5.7483 - 5.7559	3.5400 - 3.5425
Russia	9.8029 - 9.8122	6.0370 - 6.0390
U.A.E.	5.9637 - 5.9681	3.6727 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Feb 10		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. index
Europe													
Austria	(Sch)	20.6727	-0.1715	622 - 831	20.8550	20.6449	20.6111	3.6	20.4842	3.6	20.0029	3.2	102.3
Belgium	(BFr)	60.6522	-0.5149	018 - 025	61.1970	60.6000	60.4713	3.6	60.0877	3.7	58.6281	3.3	101.8
Denmark	(DKr)	11.1997	-0.0922	946 - 048	11.2945	11.1833	11.1683	3.4	11.1035	3.4	10.8659	3.0	104.5
Finland	(FM)	8.9123	-0.0733	038 - 208	8.9900	8.9030	8.8839	3.8	8.8262	3.9	8.6135	3.4	80.6
France	(FFr)	9.8524	-0.0789	487 - 560	9.9364	9.8376	9.8224	3.6	9.7599	3.8	9.5233	3.3	105.2
Germany	(DM)	2.9379	-0.0245	365 - 393	2.9650	2.9334	2.9289	3.7	2.91	3.8	2.8397	3.3	102.8
Greece	(Dr)	465.029	-3.589	797 - 262	469.356	464.300	467.729	-7.0	474.31	-8.0	498.561	-7.2	64.9
Ireland	(I£)	1.1730	-0.0082	717 - 742	1.1804	1.1706	1.1721	1.0	1.1695	1.2	1.1483	2.1	93.2
Italy	(L)	2902.71	-24.41	108 - 433	2928.95	2899.40	2899.99	1.1	2893.74	1.2	2846.3	1.9	75.1
Luxembourg	(LFr)	60.6522	-0.5149	018 - 025	61.1970	60.5890	60.4713	3.6	60.0877	3.7	58.6281	3.3	101.8
Netherlands	(Fl)	3.3128	-0.0275	108 - 138	3.3411	3.3074	3.302	3.7	3.2802	3.9	3.2	3.4	101.2
Norway	(NKr)	12.2559	-0.093	480 - 637	12.3593	12.2300	12.2199	3.5	12.1476	3.5	11.9059	2.9	95.6
Portugal	(Es)	300.902	-2.402	728 - 075	303.397	300.415	300.313	2.3	298.935	2.6	292.569	2.8	91.5
Spain	(Pta)	249.062	-2.042	945 - 179	251.250	248.720	248.58	2.4	247.4	2.7	242.113	2.8	78.6
Sweden	(SKr)	13.1830	-0.074	749 - 911	13.3127	13.1674	13.1546	2.6	13.0963	2.6	12.898	2.2	83.1
Switzerland	(SFr)	2.3723	-0.0168	707 - 738	2.3923	2.3692	2.3607	5.9	2.3363	6.1	2.2405	5.6	108.2
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	103.4
Ecu	-	1.4919	-0.0113	911 - 927	1.5038	1.4895	1.4884	2.9	1.4808	3.0	1.45	2.8	-
SDR†	-	1.209844	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6240	-0.009	235 - 245	1.6329	1.6210	-	-	-	-	-	-	-
Brazil	(R$)	1.8291	-0.0085	284 - 297	1.8374	1.8243	-	-	-	-	-	-	-
Canada	(C$)	2.3248	-0.0188	237 - 259	2.3428	2.3166	2.3201	2.4	2.3108	2.4	2.2775	2.0	82.3
Mexico	(New Peso)	13.7741	-0.0339	617 - 864	13.8429	13.7525	13.9077	-11.6	14.1906	-12.1	15.4624	-12.3	-
USA	($)	1.6243	-0.009	238 - 248	1.6332	1.6213	1.622	1.7	1.6172	1.8	1.599	1.6	107.8
Pacific/Middle East/Africa													
Australia	(A$)	2.3883	-0.0423	865 - 901	2.4229	2.3763	2.3836	2.4	2.3738	2.4	2.3372	2.1	87.5
Hong Kong	(HK$)	12.5697	-0.0696	650 - 743	12.6377	12.5472	12.5638	0.6	12.6035	-1.1	13.0215	-3.6	-
India	(Rs)	63.0229	-0.2512	710 - 747	63.2700	62.8910	-	-	-	-	-	-	-
Israel	(Shk)	5.8470	-0.022	387 - 553	5.8565	5.8385	-	-	-	-	-	-	-
Japan	(Y)	200.471	-2.622	361 - 582	202.730	199.660	199.396	6.4	197.101	6.7	187.701	6.4	125.8
Malaysia	(M$)	5.8231	-0.4247	132 - 330	6.2793	5.7436	5.8188	-0.9	5.8307	-0.5	6.0762	-4.3	-
New Zealand	(NZ$)	2.7603	-0.0372	583 - 623	2.7888	2.7372	2.763	-1.2	2.7688	-1.2	2.7872	-1.0	101.6
Philippines	(Peso)	63.5102	-1.904	470 - 734	63.8792	63.2315	63.9878	-9.0	65.2071	-10.7	70.984	-11.8	-
Saudi Arabia	(SR)	6.0921	-0.0339	901 - 941	6.1253	6.0810	6.0852	1.4	6.0713	1.4	6.0246	1.1	-
Singapore	(S$)	2.6452	-0.062	419 - 484	2.7132	2.6388	2.6446	0.2	2.6457	-0.1	2.6599	-0.6	-
South Africa	(R)	8.0037	-0.0232	988 - 086	8.0531	7.9859	8.0466	-6.4	8.1392	-6.8	8.5195	-6.4	-
South Korea	(Won)	2572.89	+29.84	048 - 581	2625.91	2537.05	-	-	-	-	-	-	-
Taiwan	(T$)	53.3705	-0.4835	256 - 153	53.7026	53.3068	53.312	1.3	53.1889	1.4	52.7191	1.2	-
Thailand	(Bt)	73.3373	-4.735	086 - 659	77.7990	72.8770	73.8812	-8.9	74.8755	-8.4	81.5494	-11.2	-

† Rates for Feb 9. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. The exchange rates printed in this table are also available on the internet at http//www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Feb 10		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J P Morgan index
Europe													
Austria	(Sch)	12.7271	-0.0349	246 - 296	12.7856	12.7110	12.7074	1.9	12.6666	1.9	12.5096	1.7	102.0
Belgium	(BFr)	37.3405	-0.1095	210 - 600	37.4900	37.3090	37.2825	1.5	37.156	2.0	36.6655	1.8	101.7
Denmark	(DKr)	6.8951	-0.0185	941 - 961	6.9278	6.8894	6.8856	1.7	6.866	1.7	6.7955	1.4	103.6
Finland	(FM)	5.4869	-0.0146	833 - 904	5.5134	5.4826	5.4773	2.1	5.4578	2.1	5.3865	1.8	79.9
France	(FFr)	6.0656	-0.0149	652 - 660	6.0919	6.0542	6.0558	1.9	6.0351	2.0	5.9558	1.8	104.5
Germany	(DM)	1.8087	-0.0051	084 - 090	1.8192	1.8065	1.8057	2.0	1.7994	2.1	1.7759	1.8	102.3
Greece	(Dr)	286.295	-0.62	240 - 350	287.630	286.020	288.37	-8.7	293.256	-9.8	311.795	-6.9	64.7
Ireland	(I£)	1.3848	+0.002	838 - 858	1.3965	1.3790	1.384	0.7	1.383	0.5	1.3925	-0.6	-
Italy	(L)	1787.05	-5.1	660 - 750	1795.80	1786.23	1787.93	-0.6	1789.38	-0.5	1780.05	0.4	74.8
Luxembourg	(LFr)	37.3405	-0.1095	210 - 600	37.4900	37.3090	37.2825	1.9	37.156	2.0	36.6655	1.8	101.7
Netherlands	(Fl)	2.0392	-0.0056	389 - 395	2.0506	2.0375	2.0362	2.0	2.0283	2.1	2.0013	1.9	100.9
Norway	(NKr)	7.5453	-0.0154	428 - 478	7.5784	7.5333	7.5339	1.8	7.5115	1.6	7.4458	1.3	95.8
Portugal	(Es)	185.250	-0.45	200 - 300	185.990	185.110	185.153	0.6	184.85	0.9	182.97	1.2	91.9
Spain	(Pta)	153.335	-0.405	310 - 360	153.990	153.260	153.246	0.7	152.993	0.9	151.415	1.3	78.1
Sweden	(SKr)	8.1161	-0.0006	136 - 186	8.1528	8.1133	8.1102	0.9	8.0983	0.9	8.0663	0.6	82.9
Switzerland	(SFr)	1.4605	-0.0022	600 - 610	1.4664	1.4595	1.4554	4.2	1.4447	4.3	1.4011	4.1	108.0
UK	(£)	1.6243	-0.009	238 - 248	1.6332	1.6213	1.622	1.7	1.6172	1.8	1.599	1.6	104.0
Ecu	-	1.0888	+0.0022	885 - 890	1.0900	1.0851	1.0898	-1.2	1.0921	-1.2	1.1028	-1.3	-
SDR†	-	0.73920	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9998	-	998 - 998	0.9999	0.9997	-	-	-	-	-	-	-
Brazil	(R$)	1.1261	+0.001	260 - 261	1.1265	1.1257	-	-	-	-	-	-	-
Canada	(C$)	1.4313	-0.0036	310 - 315	1.4353	1.4265	1.4304	0.7	1.4289	0.7	1.4244	0.5	82.2
Mexico	(New Peso)	8.4800	+0.026	750 - 850	8.4860	8.4740	8.5745	-13.4	8.775	-13.9	9.67	-14.0	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	109.0
Pacific/Middle East/Africa													
Australia	(A$)	1.4704	-0.0177	697 - 710	1.4865	1.4641	1.4696	0.7	1.467	0.9	1.4563	1.0	87.6
Hong Kong	(HK$)	7.7385	-	380 - 390	7.7405	7.7375	7.746	-1.2	7.7935	-2.8	8.1435	-5.2	-
India	(Rs)	38.8000	+0.06	800 - 200	38.9000	38.7300	-	-	-	-	-	-	-
Israel	(Shk)	3.5997	+0.0064	957 - 037	3.6057	3.5943	-	-	-	-	-	-	-
Japan	(Y)	123.420	-0.925	390 - 450	124.420	123.050	122.935	4.7	121.885	5.0	117.385	4.9	126.3
Malaysia	(M$)	3.5850	-0.2403	800 - 900	3.8500	3.5356	3.5875	-0.8	3.6055	-2.3	3.8	-6.0	-
New Zealand	(NZ$)	1.6994	-0.0134	987 - 001	1.7112	1.6869	1.7025	-2.2	1.7079	-2.0	1.7267	-1.6	-
Philippines	(Peso)	39.1000	-0.95	500 - 500	39.4000	38.9000	39.4505	-10.8	40.3215	-12.5	44.3925	-13.5	-
Saudi Arabia	(SR)	3.7506	-0.0001	505 - 507	3.7508	3.7503	3.7517	-0.4	3.7542	-0.4	3.7677	-0.5	-
Singapore	(S$)	1.6285	-0.029	270 - 300	1.6630	1.6250	1.6305	-1.5	1.636	-1.8	1.6635	-2.1	-
South Africa	(R)	4.9275	+0.013	260 - 290	4.9325	4.9160	4.961	-8.2	5.033	-8.6	5.328	-8.1	-
South Korea	(Won)	1584.00	+27	300 - 500	1610.00	1580.00	-	-	-	-	-	-	-
Taiwan	(T$)	32.8575	-0.115	400 - 750	32.9070	32.8250	32.8685	-0.4	32.89	-0.4	32.97	-0.3	-
Thailand	(Bt)	45.1500	-2.65	000 - 000	47.7000	44.8000	45.55	-10.6	46.3	-10.2	51	-13.0	-

† SDR rate per $ for Feb 9. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Feb 9: Base average 1990=100. Bid, offer, mid spot rates and forward rates in both this and the Dollar table are derived from THE WM/REUTERS CLOSING SPOT and FORWARD RATE services. Some values are rounded by the F.T. The exchange rates printed in this table are also available on the internet at http//www.FT.com

WORLD INTEREST RATES

MONEY RATES

February 10	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.00	2.75	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.60	-	3.30
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.30
Ireland	[illegible]	[illegible]	6	[illegible]	[illegible]	-	-	6.75
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.00	5.50	6.23
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	2.75	3.30
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	1.00	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	5.34	5.37	5.42	5.45	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

The FT intends to replace the Libor FT London interbank fixing rate with the BBA London rate on 20/2/98. Any comments should be sent to Martin Dickson, Financial Editor, at the FT. Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Feb 10	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
German Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	5 - [illegible]	5 - [illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	1 - 1/2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canadian Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japanese Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	5 - 2 1/2	9 - 5 1/2	8 - 6 1/2	8 1/4 - 7	8 1/4 - 7 1/4

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.39	96.39	+0.01	96.40	96.38	6,648	77,156
Jun	96.26	96.27	-	96.28	96.25	8,369	52,819
Sep	96.12	96.13	-	96.15	96.12	1,927	26,333

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.425	96.430	-	96.435	96.420	30099	387182
Jun	96.280	96.280	-	96.285	96.270	32209	350189
Sep	96.145	96.160	+0.010	96.165	96.145	21385	278611
Dec	95.960	95.970	+0.010	95.980	95.950	28013	278454

■ **ONE MONTH EUROMARK FUTURES** (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Feb	-	96.53	-	-	-	0	133
Mar	-	96.49	-	-	-	0	1150
Apr	-	96.44	-	-	-	0	50
May	-	96.39	-	-	-	0	1

■ **THREE MONTH EUROLIRA FUTURES** (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.11	94.12	+0.01	94.14	94.10	12571	141050
Jun	94.99	95.02	+0.02	95.04	94.98	20240	178611
Sep	95.41	95.44	+0.02	95.45	95.41	8678	125247
Dec	95.60	95.64	+0.02	95.65	95.60	5985	128175

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	98.72	98.71	-0.02	98.75	98.70	6318	68420
Jun	98.60	98.59	-0.02	98.62	98.58	5288	51584
Sep	98.48	98.47	-0.01	98.49	98.46	2282	23067
Dec	98.27	98.26	-0.01	98.28	98.27	121	13603

■ **THREE MONTH EUROYEN FUTURES** (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	-	99.04	+0.03	-	-	0	n/a
Jun	-	99.18	+0.03	-	-	0	n/a
Sep	-	99.15	+0.03	-	-	0	n/a

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.65	95.66	-	95.67	95.64	1275	8472
Jun	95.69	95.71	+0.02	95.72	95.68	363	6562
Sep	95.70	95.71	+0.02	95.72	95.70	147	9395
Dec	95.84	95.86	+0.01	95.87	95.84	353	3799

* LIFFE futures also traded on APT

■ **EUROLIRA OPTIONS** (LIFFE) L1000m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9400	0.18	1.08	1.50	0.06	0.06	0.06
9425	0.07	0.85	1.27	0.20	0.08	0.08
9450	0.02	0.64	1.04	0.40	0.12	0.10

Est. vol. total, Calls 12380 Puts 21731. Previous day's open int., Calls 387955 Puts 157310

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Feb 10		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.47	16.24	4.844	1.934	4786	5.461	20.21	496.1	410.6	21.74	3.911	1.649	3.833	2.678	330.5	2.460
Denmark	(DKr)	54.16	10	8.797	2.623	1.047	2592	2.957	10.94	268.7	222.4	11.77	2.118	0.893	2.076	1.450	179.0	1.332
France	(FFr)	61.56	11.37	10	2.982	1.191	2946	3.362	12.44	305.4	252.8	13.38	2.408	1.015	2.360	1.649	203.5	1.514
Germany	(DM)	20.64	3.812	3.354	1	0.399	988.0	1.127	4.172	102.4	84.78	4.487	0.807	0.340	0.791	0.553	68.24	0.508
Ireland	(I£)	51.71	9.548	8.400	2.505	1	2475	2.824	10.45	256.5	212.3	11.24	2.023	0.853	1.982	1.385	170.9	1.272
Italy	(L)	2.090	0.386	0.339	0.101	0.040	100	0.114	0.422	10.37	8.580	0.454	0.082	0.034	0.080	0.056	6.906	0.051
Netherlands	(Fl)	18.31	3.381	2.975	0.887	0.354	876.3	1	3.700	90.84	75.19	3.980	0.716	0.302	0.702	0.490	60.52	0.450
Norway	(NKr)	49.49	9.138	8.039	2.397	0.957	2368	2.703	10	245.5	203.2	10.76	1.936	0.816	1.897	1.325	163.6	1.217
Portugal	(Es)	20.16	3.722	3.274	0.976	0.390	964.7	1.101	4.073	100	82.77	4.381	0.788	0.332	0.773	0.540	66.62	0.496
Spain	(Pta)	24.35	4.497	3.956	1.180	0.471	1165	1.330	4.921	120.8	100	5.293	0.952	0.402	0.933	0.652	80.49	0.599
Sweden	(SKr)	46.01	8.496	7.474	2.229	0.890	2202	2.513	9.297	228.3	188.9	10	1.800	0.759	1.764	1.232	152.1	1.132
Switzerland	(SFr)	25.57	4.721	4.153	1.238	0.494	1224	1.396	5.166	126.8	105.0	5.557	1	0.422	0.980	0.685	84.51	0.629
UK	(£)	60.65	11.20	9.852	2.938	1.173	2903	3.312	12.26	300.9	249.1	13.18	2.372	1	2.325	1.624	200.5	1.492
Canada	(C$)	26.09	4.817	4.238	1.264	0.505	1249	1.425	5.272	129.4	107.1	5.670	1.020	0.430	1	0.699	86.23	0.642
USA	($)	37.34	6.895	6.066	1.809	0.722	1787	2.039	7.545	185.3	153.3	8.116	1.461	0.616	1.431	1	123.4	0.918
Japan	(Y)	30.25	5.587	4.915	1.465	0.585	1448	1.652	6.114	150.1	124.2	6.576	1.183	0.499	1.160	0.810	100	0.744
Ecu	-	40.66	7.507	6.604	1.969	0.786	1946	2.220	8.215	201.7	167.0	8.837	1.590	0.670	1.558	1.089	134.4	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.5517	0.5537	+0.0024	0.5544	0.5510	23,356	77,615
Jun	0.5564	0.5563	+0.0023	0.5570	0.5564	47	3,621
Sep	-	0.5565	-	-	0.5565	3	1,631

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6865	0.6880	+0.0030	0.6883	0.6848	7,636	42,062
Jun	0.6958	0.6956	+0.0032	0.6958	0.6953	28	1,356
Sep	-	0.7020	+0.0025	0.7020	-	70	1,190

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.8105	0.8128	+0.0017	0.8163	0.8074	19,426	101,598
Jun	0.8225	0.8240	+0.0027	0.8250	0.8225	122	2,811
Sep	-	0.8314	-	-	-	1	522

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.6282	1.6218	-0.0044	1.6216	1.6180	8,513	28,963
Jun	1.6170	1.6140	-0.0048	1.6170	1.6104	110	1,503
Sep	-	1.6060	-0.0056	-	1.6050	1	4

UK INTEREST RATES

LONDON MONEY RATES

Feb 10	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	13 - 7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	[illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible]	[illegible]	-
Local authority deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps	[illegible]	[illegible]	-	-	-	-

UK clearing bank base lending rate 7¼ per cent from Nov 6, 1997

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc. Ave. tender rate of discount on Jan 30, 6.7625pc. ECGD fixed rate Stlg. Export Finance. Make up day Jan 30, 1998. Agreed rate for period Feb 25, 1998 to Mar 24, 1998, Scheme III 8.81pc. Reference rate for period Jan 1, 1998 to Jan 30, 1998, Schemes IV & V 7.589pc. Finance House Base Rate 8pc from Feb 1, 1998

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	92.51	92.55	+0.03	92.58	92.51	18590	134833
Jun	92.64	92.72	+0.07	92.74	92.64	49737	129839
Sep	92.84	92.93	+0.08	92.94	92.83	34726	95912
Dec	93.05	93.14	+0.09	93.14	93.04	21057	91366
Mar	93.24	93.34	+0.09	93.34	93.24	5762	67008

Also traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9250	0.09	0.29	0.50	0.04	0.07	0.07
9275	0.01	0.13	0.32	0.21	0.16	0.14
9300	0	0.04	0.18	0.45	0.32	0.25

Est. vol. total, Calls 7802 Puts 12434. Previous day's open int., Calls 241126 Puts 221187

EMS EUROPEAN CURRENCY UNIT RATES

Feb 10	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.798709	0.787207	+0.000858	-1.44	3.96	10
Spain	163.826	167.152	-0.167	2.03	0.42	-14
Finland	5.85424	5.97950	-0.00433	2.14	0.31	-14
Italy	1906.48	1948.54	-1.75	2.21	0.25	-16
Portugal	197.398	201.886	-0.198	2.27	0.18	-15
Denmark	7.34556	7.51480	-0.00975	2.30	0.15	-16
France	6.45863	6.61039	-0.0078	2.35	0.11	-20
Germany	1.92573	1.97172	-0.00275	2.39	0.07	-24
Austria	13.5485	13.8743	-0.0189	2.40	0.05	-18
Netherlands	2.16979	2.22259	-0.00299	2.43	0.03	-18
Belgium	39.7191	40.6963	-0.0558	2.46	0.00	-18
NON ERM MEMBERS						
Greece	295.269	312.079	-0.343	5.69	-3.06	-
UK	0.793103	0.670772	+0.005452	-15.42	21.15	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Feb	CALLS Mar	CALLS Apr	PUTS Feb	PUTS Mar	PUTS Apr
1.620	0.58	1.71	2.30	0.80	2.08	2.81
1.630	0.25	1.30	1.87	1.40	2.62	3.39
1.640	0.13	0.96	1.51	2.22	3.19	-

Previous day's vol., Calls 960 Puts 2,015. Prev. day's open int., Calls 25,174 Puts 24,321

■ **PHILADELPHIA SE D-MARK/$ OPTIONS** DM62,500 ($ per DM)

Strike Price	CALLS Feb	CALLS Mar	CALLS Apr	PUTS Feb	PUTS Mar	PUTS Apr
0.545	0.61	1.06	1.34	0.09	0.44	0.64
0.550	0.29	0.77	1.05	0.26	0.65	0.86
0.555	0.11	0.53	0.81	0.57	0.93	1.12

Previous day's vol., Calls 2,080 Puts 1,646. Prev. day's open int., Calls 9,331 Puts 22,786

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	94.38	94.39	+0.01	94.39	94.38	21,275	475,053
Jun	94.45	94.46	+0.01	94.47	94.44	47,628	407,461
Sep	94.47	94.47	-	94.48	94.44	54,587	318,974

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	95.06	95.06	-	95.06	95.06	1,266	8,686
Jun	95.14	95.14	+0.01	95.15	95.12	40	2,588
Sep	-	95.15	-	-	95.15	3	133

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Feb	CALLS Mar	CALLS Apr	CALLS Jun	PUTS Feb	PUTS Mar	PUTS Apr	PUTS Jun
9475	1.68	1.68		1.53	0	0		0
9500	1.43	1.43	1.28	1.28	0	0	0	0
9525	1.18	1.18	1.03	1.03	0	0	0	0
9550	0.93	0.93	0.78	0.78	0	0	0	0

Est. vol. total, Calls 6250 Puts 3327. Previous day's open int., Calls 366501 Puts 380476

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9875	0.07	0.11	0.10	0.11	0.27	0.38
9900	0.02	0.04	0.04	0.31	0.45	0.57

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 7000 Puts 3195

BASE LENDING RATES

	%		%		%
Adam & Company	7.25	Exeter Trust Limited	8.25	●Singer & Friedlander	7.25
Allied Irish Bank (GB)	7.25	Financial & Gen Bank	8.00	●Smith & Williamson	7.25
●Henry Ansbacher	7.25	●Robert Fleming & Co	7.25	Sun Banking Corp Ltd	7.25
Banco Bilbao Vizcaya	7.25	●Guinness Mahon	7.25	TSB	7.25
Bank of Cyprus	7.25	Habib Bank AG Zurich	7.25	United Bank of Kuwait	7.25
Bank of Ireland	7.25	●Hambros Bank	7.25	Unity Trust Bank Plc	7.25
Bank of India	7.25	Heritable & Gen Inv Bk	7.25	Whiteaway Laidlaw	7.25
Bank of Scotland	7.25	C. Hoare & Co	7.25	Yorkshire Bank	7.25
Barclays Bank	7.25	Hongkong & Shanghai	7.25		
Brit Bk of Mid East	7.25	Investec Bank (UK) Ltd	7.25		
●Brown Shipley & Co Ltd	7.25	Julian Hodge Bank	7.25		
Citibank NA	7.25	●Leopold Joseph & Sons	7.25		
Clydesdale Bank	7.25	Lloyds Bank	7.25		
The Co-operative Bank	7.25	Midland Bank	7.25		
Coutts & Co	7.25	NatWestminster	7.25		
Cyprus Popular Bank	7.25	●Rea Brothers	7.25		
Duncan Lawrie	7.25	Royal Bk of Scotland	7.25		
		Scottish Widows Bank	7.25		

● Members of London Investment Banking Association
* In administration

LEGAL NOTICES

ADVERTISEMENT for proposed payment out of capital for purchase of own shares

CABLE & CO (UK) LIMITED

NOTICE IS GIVEN pursuant to the Companies Act 1985 Section 175 that written resolutions dated 4 February 1998 were passed by the above named company ("the Company"):

1 approving a form of contract providing for the purchase by the Company of 8,200,000 of its ordinary shares of £1 each for the aggregate sum of £8,200,000 and

2 authorising the payment of all the said sum out of capital.

The statutory declaration of the directors of the Company and the auditors' report required by the Companies Act 1985 Section 173 (5) are available for inspection at the registered office of the Company at Sunningdale Road, Braunstone, Leicester LE3 1UR.

Any creditor of the Company may at any time within the 5 weeks immediately following 4 February 1998 apply to the court under the Companies Act 1985 Section 176 for an order cancelling the resolution or for other relief.

Brown Leighton

PERSONAL

COMMODITIES AND AGRICULTURE

Demand slowdown puts Opec revenues in doubt

By Gary Mead

Kuwait's announcement yesterday that it is cutting a dollar a barrel from its projected oil revenues for its 1998-99 fiscal year is a straw in the wind for the Organisation of Petroleum Exporting Countries.

If the traditionally cautious Kuwaitis – their projection was previously only $13 a barrel – are downgrading expectations, how much pain are other, less conservatively minded Opec members enduring as a result of low prices and over-supply?

Last November, Opec raised its production quota by 10 per cent to 27.5m barrels a day. Since then, various factors have conspired to create low demand and a consequent collapse in prices.

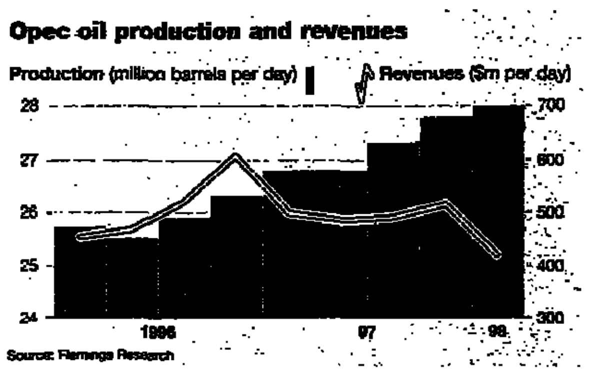
The unusually warm northern hemisphere winter – residential and commercial sales of natural gas in Canada have been down by as much as 20 per cent this winter, for example – has reduced demand for all types of energy, including crude oil. Meanwhile, the currency turmoil in parts of Asia has cut demand by perhaps 400,000 b/d.

Inventories are also piling up: the International Energy Agency said yesterday that OECD stocks were now at their highest in 20 years, except for 1994.

All this means Opec revenues in the first quarter of 1998 could be 18 per cent lower than in the last quarter of 1997, despite the decision to increase its production quota by 10 per cent, to 27.5m b/d, last November, according to research by brokers Flemings.

"Saudi Arabia's revenues are probably down by 15 per cent, and the smaller members by about 20 per cent. Some of the members are having severe financial trouble as a result of the slump in oil prices," said Alan Marshall, oil analyst with Flemings.

Opec oil production and revenues



Source: Flemings Research

"Probably hurting the most is Indonesia, but the Gulf states, Iran and Nigeria are all on the high risk list too," he added.

Mr Marshall says that following its increased quota, Saudi Arabia requires the world benchmark for oil, Brent blend, to be at $18 a barrel simply to maintain its revenues at 1997's level.

Since the start of 1998, Brent has averaged $15.55 a barrel, compared with $19.32 a barrel last year.

"Even in Venezuela, where production has soared above quota and there is little evidence of concern over Opec policy or oil prices, every $1 a barrel fall reduces revenues by $1.2bn," says Flemings.

So will Opec act to reduce its production?

"There are no signs as yet that anything is on the cards. The problem is that the Saudis, who drove the organisation to the higher quotas, must admit they've got the sums wrong," said Mr Marshall.

That is unlikely at the moment, not least because Saudi Arabia privately blames those Opec members, in particular Venezuela, that are pumping oil without much concern for prices or agreed quotas.

Mohammed Abduljabbar, analyst with the Petroleum Finance Company in the US, says: "We estimate that Opec is currently producing about 800,000 b/d above quota. The Saudis hold that the remedy for this market is to abide by the quota, and prices will improve. They will continue to be complacent about prices until other members take the initiative."

Crude oil prices lack firm direction

MARKETS REPORT

By Gary Mead

Oil prices again lacked firm direction yesterday, marking time amid the gathering storm clouds over Iraq. On the International Petroleum Exchange the world's benchmark for crude oil, Brent blend, for March delivery was $15.10 a barrel, down 14 cents, in late trading.

The International Energy Agency forecast world oil demand this year would increase by 2.3 per cent to 75.34m b/d, slower than last year's 2.7 per cent rise, following Asia's economic slowdown. Traders saw the monthly analysis as further evidence of a large excess of supply over demand.

On the London International Financial Futures Exchange, coffee and cocoa futures failed to generate much enthusiasm.

Having slipped through £1,000 the previous day, March cocoa struggled to regain the lost ground but closed at £999 a tonne, just £1 higher. Robusta coffee futures were also weaker, with the March contract $19 lower at $1,721 a tonne.

On the Coffee, Sugar and Cocoa Exchange in New York arabica coffee futures were similarly depressed, with the March contract down 5.6 cents at 167.75 cents a pound in late trading.

Trading was subdued on the London Metal Exchange with only the contracts for copper and nickel providing much stimulation. The former ended the day at $1,696, up $13 a tonne, the latter $30 higher at $5,625.

Nickel was partly boosted by continuing speculation over last week's allegations by Engelhard that a fraud had been perpetrated in which lower-grade metal had been substituted for more valuable stock.

Europe pays the price for return of swine fever

Swine fever has made a comeback among European pig farms in the past year, with apparently unrelated outbreaks in the Netherlands, Spain and Germany.

Millions of pigs have been slaughtered, seriously affecting farmers, pig prices and the Dutch economy.

The European Union paid Ecu650m ($706m) in compensation for slaughtered pigs in 1997, largely to Dutch farmers, having had to pay little or nothing in 1996.

With pigmeat exports worth up to Ecu1bn a year to the EU, and much more in internal trade, the EU cannot afford to ignore the highly contagious disease.

Many countries import pigmeat only from nations with disease-free status. Although swine fever is not considered a threat to human health, meat from an infected animal is of poor quality.

Now the chance that a new vaccine will reach the market by the end of this year has reopened the debate over whether or not to vaccinate. It will be discussed at a symposium in the UK in July by an international society of pig vets.

Swine fever has been known for many years. Although it is not necessarily caused by intensive pig-rearing, the move to larger farms, often grouped closely together, has magnified the effect of outbreaks. Last year, more than a third of the 15m pig population of the Netherlands was slaughtered.

Dr Christianne Glossop, president of the UK Pig Veterinary Society, says that even countries without the disease, such as the UK, cannot be complacent.

The rise in pigmeat prices last year after the onset of the Dutch outbreak was soon reversed and farmers across the EU realised they could not benefit in the longer term from the problems of farmers in one region. "We must see the industry as a whole," Dr Glossop says.

EU officials admit they are worried about the incidence of swine fever, although they say there have been equally serious outbreaks in the past. "There are a lot of dead pigs, but not sick pigs, around," one says.

At present, EU policy is to deal with outbreaks by rapidly slaughtering pigs in the area and by imposing restrictions on the movement of animals to stop the virus spreading.

General vaccination has been rejected by the EU, partly because the vaccine available can mask the disease.

A blood test can show whether a pig has produced antibodies to the virus, but cannot differentiate between antibodies made in reaction to the vaccine and those present because the pig has the virus.

According to the EU official, most countries in the EU do not have swine fever, and are against general vaccination because the cost is high.

The new "marker" vaccine would differentiate the antibodies, so a blood test would show whether a pig had been vaccinated.

The official says: "If and when we have a marker vaccine, we certainly will look at it as an element of an eradication policy. We are not looking at vaccination as a general policy."

Meanwhile, swine fever policy must be based on stopping the spread of the disease. For example, feeding pigmeat to pigs – one way of passing on the disease – has been banned.

Germany has blamed its outbreak of swine fever on wild boar – among which the disease is endemic – coming into contact with farmed pigs.

The EU has asked Germany to suggest ways to prevent this. However, with the wild boar population spreading, even in the UK, there is an increasing question over whether pigs should be kept outdoors.

Dr Glossop even questions the wisdom of allowing agricultural shows to exhibit pigs. She says swine fever could be spread if a farmer from the Netherlands did not wash his boots before visiting a show or if someone "threw a salami sandwich" to a pig.

Another line of defence is accurate and easily recalled movement records for pigs. Since it takes around a week for an infected pig to show clinical signs of the disease, there is time for animals to be moved to other farms – for instance, piglets moved elsewhere for fattening.

In the Netherlands, the Dutch government's animal health agency has employed EDS, the computer services group, to run a registration and movement system which tracks nearly all pigs born in the country.

EDS says that while farmers were reluctant initially to get involved, the system proved itself in last year's outbreak as it was able to trace pigs quickly. Also, farmers who did not join were not eligible for compensation when their pigs were slaughtered.

Maggie Urry

Outbreak in NE Germany

Farm authorities in the north-east German state of Mecklenburg-Vorpommern said yesterday they had uncovered a second outbreak of swine fever in the region inside a month.

It is the 65th outbreak in the state since 1992, and the first at a farm using organic methods, the state agriculture ministry said.

Last month, the authorities ordered the slaughter of 62,000 pigs (about 10 per cent of the German total) after swine fever broke out at one of Germany's largest pig breeding installations.

Open question: there are doubts over whether pigs should be kept outdoors — Malcolm Watson

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1474-75	1493.5-94.5
Previous	1489.5-90.5	1508-08.5
High/low		1514/1493
AM Official	1484.5-85.0	1505-06
Kerb close		1497-98
Open int.	260,857	
Total daily turnover	63,601	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1310-15	1335-38
Previous	1313-18	1339-40
High/low		1340/1335
AM Official	1311-12	1335-40
Kerb close		1337-39
Open int.	5,248	
Total daily turnover	1,059	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	516-7	528-9
Previous	519.5-20.5	531-2
High/low		532/524
AM Official	513.5-14.0	526-26.5
Kerb close		526-7
Open int.	8,685	
Total daily turnover	33,432	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	5500-10	5595-600
Previous	5510-20	5600-10
High/low		5635/5555
AM Official	5465-70	5560-65
Kerb close		5625-35
Open int.	59,959	
Total daily turnover	16,129	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5215-25	5250-55
Previous	5255-65	5285-90
High/low		5260/5260
AM Official	5240-50	5270-80
Kerb close		5275-80
Open int.	13,341	
Total daily turnover	4,709	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1068-69	1093-94
Previous	1062.5-63.5	1087-88
High/low		1097/1079
AM Official	1053-54	1080-80.5
Kerb close		1089-90
Open int.	71,307	
Total daily turnover	20,560	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	1664-65	1690-91
Previous	1662.5-63.5	1688-89
High/low		1697/1682
AM Official	1666.5-67.5	1691-92
Kerb close		1695-96
Open int.	150,202	
Total daily turnover	39,290	

■ LME AM Official £/$ rate: 1.6224
LME Closing £/$ rate: 1.6250

Spot 1.6235 3 mths 1.6165 6 mths 1.6116 9 mths 1.6048

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	76.55	+1.60	76.60	74.95	219	1,017
Mar	76.85	+1.60	77.35	75.25	8,185	31,869
Apr	77.45	+1.60	77.25	76.15	55	1,961
May	77.80	+1.50	78.15	76.40	5,804	10,532
Jun	78.30	+1.55	79.00	77.25	401	1,987
Jul	79.65	+1.45	79.00	77.35	542	5,230
Total					16,052	72,831

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	299.90-300.40		
Opening	300.60-301.00		
Morning fix	300.75	185.23	439.55
Afternoon fix	299.50	184.31	437.72
Day's High	301.30-301.70		
Day's Low	299.00-299.50		
Previous close	301.30-301.80		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.86	6 months	3.74
2 months	3.92	12 months	3.58
3 months	3.81		

Silver Fix	p/troy oz.	US cts equiv.
Spot	439.50	713.50
3 months	422.85	683.50
6 months	425.45	684.80
1 year	423.80	677.35

Gold Coins	$ price	£ equiv.
Krugerrand	298-300	183-185
Maple Leaf	-	-
New Sovereign	69-71	42-44

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Vol	Open int
Feb	301.2	+0.6	302.3	300.8	127	1,194
Mar	301.6	+0.7	-	-	2	4
Apr	302.3	+0.7	303.5	300.9	15,206	80,710
Jun	304.2	+0.7	305.3	302.7	475	15,749
Aug	306.0	+0.7	306.4	306.4	52	5,639
Oct	308.0	+0.7	-	-	1	3,224
Total					15,909	167,257

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Vol	Open int
Apr	390.9	+3.1	392.7	387.2	3,711	9,857
Jul	388.4	+3.1	389.0	385.0	31	868
Oct	387.4	+3.1	388.0	388.0	2	360
Jan	388.4	+3.1	385.0	385.0	-	14
Total					3,744	11,099

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Vol	Open int
Mar	234.40	-0.85	235.10	233.00	604	3,166
Jun	232.15	-0.85	233.00	232.00	424	1,156
Sep	230.15	-0.85	229.50	229.50	100	333
Total					1,028	4,685

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	low	Vol	Open int
Feb	708.0	+15.5	690.0	690.0	135	125
Mar	710.0	+15.5	717.0	688.5	13,777	57,690
May	700.5	+16.0	707.0	680.0	1,309	18,565
Jul	693.5	+17.5	703.0	672.5	643	12,681
Sep	691.0	+18.5	685.5	678.0	16	4,810
Dec	689.0	+19.5	691.0	670.0	94	3,563
Total					16,697	118,641

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Mar	16.63	-	16.73	16.55	23,653	82,459
Apr	16.83	-0.02	16.95	16.75	17,359	62,622
May	17.05	-0.01	17.16	16.99	4,671	32,990
Jun	17.29	+0.02	17.40	17.20	5,529	45,934
Jul	17.54	+0.09	17.54	17.40	1,013	23,143
Aug	17.65	+0.04	-	-	1,723	16,564
Total					80,590	436,065

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Mar	15.24	-	15.28	15.13	15,104	45,523
Apr	15.45	+0.01	15.50	15.33	19,152	59,605
May	15.68	+0.05	15.74	15.57	3,317	23,327
Jun	15.93	+0.09	15.96	15.82	2,441	27,542
Jul	16.13	+0.11	16.13	15.98	1,320	13,736
Aug	16.34	-0.13	16.35	16.23	174	6,228
Total					n/a	n/a

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

	Latest price	Day's change	High	Low	Vol	Open int
Mar	45.95	-	46.25	45.20	10,636	43,700
Apr	46.45	-0.10	46.75	46.30	5,754	28,512
May	47.05	-	47.25	46.90	1,163	15,597
Jun	47.55	+0.05	47.75	47.40	1,470	17,112
Jul	48.35	-0.25	48.35	48.30	719	12,243
Aug	49.00	+0.20	-	-	227	8,870
Total					20,882	160,145

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	138.50	-1.50	140.00	138.25	6,452	13,969
Mar	140.50	-1.25	141.50	140.00	7,372	22,847
Apr	142.50	-1.00	143.50	142.25	1,607	11,608
May	145.00	-0.50	145.25	144.50	422	3,140
Jun	146.25	-1.25	147.50	146.25	620	12,892
Jul	148.50	-1.00	149.25	148.25	118	4,265
Total					15,490	108,462

■ NATURAL GAS IPE (1,000 therms; pence per therm)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	9.860	+0.060	9.870	9.700	220	2,125
Apr	9.760	-0.010	-	-	-	2,190
Total					620	12,085

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

	Latest price	Day's change	High	Low	Vol	Open int
Mar	2.265	+0.044	2.280	2.205	37,266	35,206
Apr	2.280	+0.036	2.300	2.235	12,067	22,766
May	2.300	+0.026	2.310	2.255	5,186	13,850
Jun	2.300	+0.015	2.310	2.269	3,533	14,129
Jul	2.320	+0.020	2.330	2.282	2,559	11,264
Aug	2.320	+0.012	2.340	2.292	1,593	12,507
Total					68,676	195,958

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Mar	51.15	+0.30	51.35	50.50	10,447	33,918
Apr	54.60	+0.13	54.75	54.20	4,565	21,625
May	55.00	+0.20	55.10	54.60	1,244	13,616
Jun	54.95	+0.15	55.05	54.70	635	3,929
Jul	54.65	+0.20	55.00	54.70	452	3,050
Aug	54.30	+0.25	54.30	54.25	20	3,518
Total					17,398	89,217

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	81.50	+0.25	81.75	81.40	193	1,904
May	83.25	+0.40	83.75	83.00	112	4,026
Jul	85.20	+0.30	85.00	85.00	10	670
Sep	81.25	+0.50	-	-	-	63
Nov	83.25	+0.50	83.25	83.25	79	1,571
Total					409	8,323

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	338.00	+0.75	339.25	336.00	10,682	43,393
May	348.75	+1.00	349.00	346.25	5,784	21,911
Jul	356.25	+1.00	357.00	354.00	1,988	25,407
Sep	363.00	+1.00	363.50	361.50	64	3,044
Dec	375.00	+2.00	375.00	372.50	147	4,799
Jul	368.00	+1.00	-	-	4	32
Total					18,665	98,604

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	273.75	+1.75	274.00	271.25	25,053	123,407
May	282.50	+1.25	282.75	280.25	8,604	75,338
Jul	288.50	+2.00	288.75	285.75	6,682	76,897
Sep	286.25	+1.25	287.00	265.00	372	10,622
Dec	287.75	+1.00	288.50	286.50	6,077	52,072
Mar	293.25	+1.00	293.50	292.00	81	2,890
Total					46,827	342,876

■ BARLEY LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	75.75	+0.25	-	-	-	829
May	78.00	+0.25	-	-	-	165
Sep	78.25	+0.25	-	-	-	6
Nov	80.25	+0.25	80.25	80.25	20	328
Jan	82.25	+0.25	-	-	-	72
Total					20	1,400

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	693.00	+3.25	694.00	687.50	24,710	53,687
May	697.50	+3.50	698.00	692.50	5,981	34,857
Jul	702.50	+3.00	703.00	698.00	3,911	33,249
Aug	701.50	+2.50	702.00	698.50	130	5,412
Sep	687.00	+1.50	687.50	685.50	4	693
Nov	682.75	+1.25	684.00	680.50	3,817	14,782
Total					38,890	143,518

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	26.63	+0.17	26.70	26.45	11,103	47,917
May	27.04	+0.18	27.10	26.82	7,576	36,226
Jul	27.38	+0.16	27.41	27.21	6,125	22,947
Aug	27.38	+0.13	27.35	27.25	134	4,428
Sep	27.17	+0.12	27.20	27.05	66	2,125
Oct	27.05	+0.20	27.05	26.80	202	1,767
Total					25,544	119,580

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	197.4	+0.2	198.4	196.0	11,310	37,962
May	195.4	+0.4	196.3	194.9	4,500	34,613
Jul	196.5	+0.4	197.4	196.0	1,931	22,956
Aug	197.8	+0.6	198.3	197.1	158	7,596
Sep	198.4	+0.6	199.0	198.0	124	5,227
Oct	198.0	+0.7	198.0	197.5	210	1,660
Total					18,453	116,222

■ POTATOES LIFFE (20 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	70.0	-	-	-	-	-
Apr	74.0	+3.0	74.0	73.0	6	996
May	87.0	+3.0	-	-	-	130
Jun	97.0	+3.0	-	-	-	-
Nov	57.0	-	-	-	-	3
Total					6	1,176

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	945	+10	945	935	14	248
Mar	1050	+25	1040	1035	10	448
Apr	1125	+30	1125	1110	16	572
Jul	1005	+20	1015	1015	4	172
Oct	1165	+25	1160	1160	5	91
Total					49	1,536

	Close	Prev
BFI	935	935

PULP AND PAPER

■ PULPEX OMLX (US$, 24 air dry tons)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	509.00	+25.00	509.00	495.00	99	428
Jun	532.00	+15.00	532.00	519.00	74	436
Total						

FUTURES DATA
All futures data supplied by CMS

Minor metals from Metal Bulletin
European free market. $ per lb in warehouse, unless otherwise stated (last week's in brackets, where changed). **Antimony:** 99.65%, $ per tonne, 1,690-1,750 (1,710-1,760). **Bismuth:** min 99.99%, tonne lots 3.55-3.75 (3.45-3.65). **Cadmium:** min. 99.95%, cents a pound, 30.00-35.00. **Cobalt:** MB free market, min. 99.8%, 24.50-25.00; min 99.3%, 19.20-19.60 (19.95-19.40). **Mercury:** min 99.99%, $ per 76 lb flask, 140-150. **Molybdenum:** drummed molybdic oxide, 3.70-3.80 (3.65-3.80). **Selenium:** min 99.5%, 2.00-3.00. **Tungsten ore:** standard min. 65%, $ per tonne unit (10kg) WO_3, CIF, 40-50. **Vanadium:** min. 98%, CIF, 6.60-6.90. **Uranium:** Nuexco unrestricted exchange value. 9.65.

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	999	+1	1001	989	2,397	49,086
May	1024	+2	1026	1014	2,765	27,079
Jul	1049	+3	1051	1040	484	14,182
Sep	1070	+3	1071	1062	588	24,253
Dec	1094	+1	1098	1087	1,057	30,149
Mar	1123	+2	1126	1115	909	26,980
Total					8,972	189,986

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	1515	+11	1517	1495	7,330	9,760
May	1553	+9	1555	1535	7,305	36,152
Jul	1583	+8	1585	1569	2,368	7,626
Sep	1610	+10	1612	1595	1,513	6,489
Dec	1643	+10	1643	1630	129	12,280
Mar	1672	+10	-	-	54	9,547
Total					18,699	85,435

■ COCOA (ICCO) (SDR's/tonne)

Feb 9	Price	Prev. day
Daily	1183.42	1211.41

■ COFFEE LIFFE (5 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	1722	-18	1734	1700	3,819	22,092
May	1695	-15	1705	1688	2,743	15,005
Jul	1678	-16	1687	1658	493	2,880
Sep	1663	-14	1673	1648	270	1,598
Nov	1650	-12	1663	1650	13	105
Jan	1635	-12	-	-	-	14
Total					7,338	41,894

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	168.00	-5.35	172.00	165.00	4,937	14,820
May	164.05	-4.60	164.90	162.50	2,479	8,468
Jul	156.95	-3.50	157.50	155.00	762	3,675
Sep	148.25	-2.75	148.00	147.00	157	2,167
Dec	141.00	-2.20	142.00	140.00	140	2,147
Mar	137.00	-1.25	137.00	136.00	35	486
Total					8,510	31,812

■ COFFEE (ICO) (US cents/pound)

Feb 9		Prev. day
Comp. daily	130.75	133.05
15 day average	133.40	133.28

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	285.9	-0.7	288.0	285.6	4,750	8,617
May	290.9	+1.1	292.0	290.1	2,264	15,522
Aug	295.9	+1.3	296.5	295.8	327	7,447
Oct	294.0	+1.3	295.0	292.7	249	6,081
Dec	297.5	+0.8	297.7	297.3	100	661
Mar	300.5	-0.2	302.0	302.0	100	196
Total					7,959	38,804

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	10.88	+0.10	10.91	10.84	9,050	62,238
May	10.69	+0.10	10.71	10.65	8,873	63,110
Jul	10.55	+0.10	10.56	10.51	1,707	32,095
Oct	10.58	+0.09	10.58	10.53	2,323	38,922
Mar	10.67	+0.08	10.67	10.63	800	14,273
May	10.66	+0.08	10.64	10.64	15	1,930
Total					22,883	216,451

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	67.53	+0.07	67.97	67.20	8,921	26,881
May	68.83	+0.12	69.25	68.51	3,990	19,170
Jul	70.06	+0.16	70.50	69.65	1,605	17,386
Oct	72.10	+0.24	72.30	71.80	88	2,054
Dec	73.32	+0.24	73.60	73.00	1,206	17,820
Mar	74.38	+0.23	74.50	74.40	45	882
Total					15,816	86,810

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	96.55	-0.65	97.40	95.10	2,047	18,233
May	99.55	-0.60	100.40	98.25	717	7,739
Jul	102.55	-0.70	103.30	101.25	271	5,165
Sep	105.45	-0.70	105.45	104.75	60	3,066
Nov	107.45	-0.35	107.00	105.50	202	2,400
Jan	108.25	-1.10	108.25	107.85	36	1,041
Total					3,297	38,825

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Feb 10	Feb 9	month ago	year ago
1729.8	1734.5	1717.6	1954.8

■ CRB Futures (Base: 1967 = 100)

Feb 9	Feb 6	month ago	year ago
232.87	234.68	-	-

■ GSCI Spot (Base: 1970 = 100)

Feb 9	Feb 6	month ago	year ago
171.36	171.65	168.46	194.74

LME WAREHOUSE STOCKS (tonnes)

Aluminium	-2,125	to	572,775
Aluminium alloy	+120	to	43,400
Copper	-1,825	to	370,050
Lead	-150	to	108,100
Nickel	+60	to	66,468
Zinc	-2,150	to	485,050
Tin	-115	to	11,270

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	61.525	+0.025	62.175	61.500	8,587	11,667
Apr	66.025	+0.275	66.600	65.950	9,500	50,269
Jun	67.725	+0.275	68.150	67.650	3,050	26,891
Aug	68.700	+0.100	69.050	68.600	1,065	8,980
Oct	70.175	+0.100	70.500	70.050	238	4,213
Dec	71.025	-	71.250	71.000	10	981
Total					22,474	103,170

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	52.700	-1.625	53.750	52.675	2,273	6,726
Apr	53.850	-1.775	55.250	53.800	3,149	18,528
Jun	61.875	-1.200	62.825	61.800	603	11,133
Jul	61.625	-1.025	62.375	61.550	248	3,589
Aug	60.050	-1.050	60.800	60.000	109	1,521
Oct	56.750	-0.825	57.300	56.550	38	1,836
Total					6,490	43,879

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	44.300	-3.000	46.700	44.300	785	900
Mar	44.250	-2.175	46.200	43.950	1,574	3,638
May	44.950	-1.775	46.700	44.750	551	3,207
Jul	44.950	-0.875	45.750	44.550	269	1,324
Aug	43.175	-0.850	44.200	43.050	26	308
Total					3,294	9,419

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Mar	Jun	Mar	Jun
1400	97	123	3	19
1500	25	61	30	55
1600	3	25	107	117

■ COPPER (Grade A) LME	Mar	Jun	Mar	Jun
1600	104	146	6	28
1700	28	85	38	65
1800	7	44	108	122

■ COFFEE LIFFE	Mar	May	Mar	May
1650	78	104	6	59
1700	42	78	20	83
1750	19	57	47	112

■ COCOA LIFFE	Mar	May	Mar	May
975	28	66	4	17
1000	13	50	14	26
1025	6	37	32	38

■ BRENT CRUDE IPE	Mar	Apr	Mar	Apr
1500	32	-	5	-
1550	9	63	18	-
1600	1	45	77	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$12.59-2.79x	-0.155
Brent Blend (dated)	$14.62-4.63	-0.125
Brent Blend (Mar)	$15.12-5.13	-0.195
W.T.I.	$16.46-6.48x	-0.24

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$171-172	
Gas Oil	$140-142	-1
Heavy Fuel Oil	$59-61	
Naphtha	$152-153	
Jet fuel	$153-155	-0.5
Diesel	$146-148	-0.5

■ NATURAL GAS (Pence/therm)

Bacton (Mar)	8.80-8.85	+0.07

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

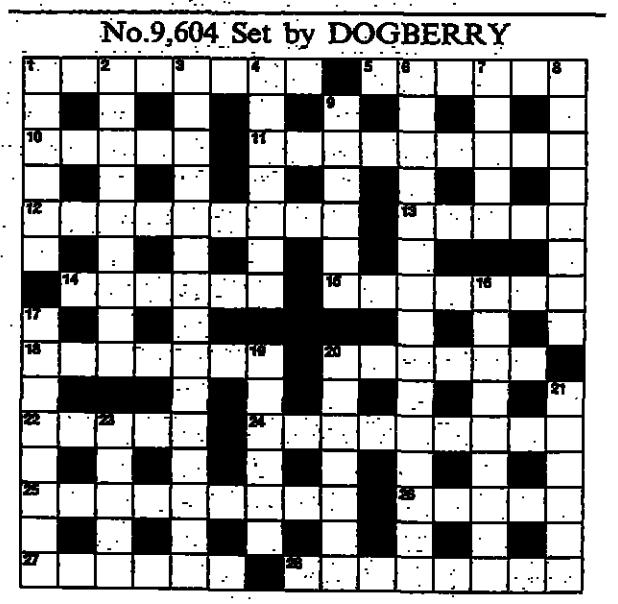
Gold (per troy oz)‡	$300.15	-1.40
Silver (per troy oz)‡	713.50c	-5.50
Platinum (per troy oz.)	$389.60	-8.50
Palladium (per troy oz.)	$234.00	-2.00
Copper	80.0c	-2.0
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	19.37r	-0.25
Tin (New York)	249.5	-1.0
Cattle (live weight)	90.80p	-0.55*
Sheep (live weight)	81.50p	+5.37*
Pigs (live weight)†	74.98p	+1.65*
Lon. day sugar (raw)	$263.30	+2.20
Lon. day sugar (wte)	$288.80	+2.40
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£109.00	
Wheat (US Dark North)	Unq	
Rubber (Mar)♥	51.00p	
Rubber (Apr)♥	52.00p	
Rubber (KL RSS No1)	325.00m	-4.50
Coconut Oil (Phil)§	660.0y	-5.0
Palm Oil (Malay.)§	625.0	+7.5
Copra (Phil)§	$370.0y	+10.0
Soyabeans (US)	188.0	+1.0
Cotton Outlook'A' index	69.45c	+0.20
Wooltops (64s Super)	378p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Feb/Mar. x Mar. ♥London Physical. § CIF Rotterdam. ‡ Bullion market close. * Change on week. †Based on 4,506 head of pigs sold.

JOTTER PAD

CROSSWORD

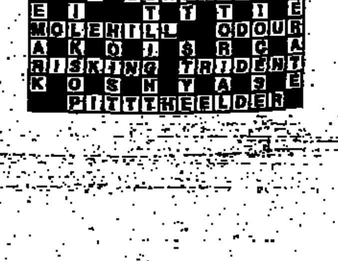
No.9,604 Set by DOGBERRY



ACROSS
1 Stray hair clogging bath (8)
5 Sticky stuff yielded by clover (6)
10 Subsequently imitating (6)
11 Dots and dashes bring experimental score into fashion (5,4)
12 Not being straight about debts, oddly (9)
13 Votes against receiving Norway's service (5)
14 Voices of America? (6)
15 Fresh setback for religion – take Church's part (7)
18 Remains in repose, which is most ill-considered (7)
20 Musician's tracks put back in catalogue (6)
22 Instrument bringing back partial recollection (5)
24 Union's redeemer receives a thanksgiving (9)
25 Wrangle as Petruchio was said to (9)
26 Consented to be decapitated for sin (5)
27 Translate 'Ripper' (6)
28 Disturb underground weed choking sunflower root (8)

DOWN
1 Canter about in a dreamy state (6)
2 Record with sex appeal is causing stomach trouble (9)
3 'Eros': four-chapter novel of the usual standard (3,3,3,5)
4 Pasties for prophet joining crack troops (7)
6 Let Reg and Alain promiscuously embrace bird in such a relationship (7,8)
7 Jester to admit 150 on top (5)
8 Concluded poetically, eating smallest olive (8)
9 Sunbeam piercing each invocation (6)
16 Shut up about steps being a terrible mischance (9)
17 Type of socialist not given to rising? (8)
19 Saucy about an old saw (6)
20 Stand to the left (off-centre) (7)
21 Dull chap makes Ted go south (6)
23 Language of an Italian ancestor's upbringing (5)

Solution 9,603



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OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

Fidelity Currency Funds Ltd
Pembroke Hall, Pembroke, Bermuda

Prices for dealing February 10

Jupiter Asset Management (Bermuda) Ltd
PO Box HM1258, Hamilton, Bermuda

Jupiter Tyndall World Umbrella Fund Ltd

Newport Investment Management
20 Reid St, PO Box HM 3396 Hamilton Bermuda

Orion Fund Limited
9 Front St., Hamilton, HM11, Bermuda

BERMUDA (REGULATED)(**)

GUERNSEY (FSA RECOGNISED)

Royal Bk of Canada O/S Fd Mgrs Ltd
PO Box 246, St Peter Port, Guernsey 01481 723021

Global Funds

Serrada Funds Mngmt (Guernsey) Ltd
PO Box 246, St Peter Port, Guernsey 01481 723021

Schroder Investment Mngmt (Guernsey) Ltd
PO Box 285, St Peter Port, Guernsey 01481 710651

GUERNSEY (REGULATED)(**)

IRELAND (FSA RECOGNISED)

AIB Fund Management Ltd

Lazard Investment Funds Ltd - Contd.

Barclays Global Investors Ireland Ltd

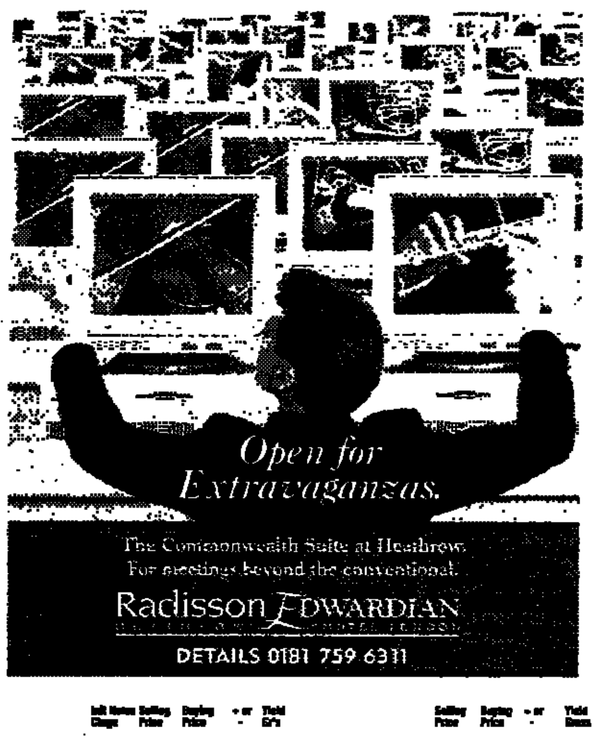
Investec Asset Management (Ireland) Ltd

IRELAND (REGULATED)(**)

ABN AMRO Global Liquidity Funds Plc (z)

Singer & Friedlander Inv Funds Ltd - Contd.

Frank Russell Investments (Ireland) Ltd



Yuki Korea Fund

Yuki Taiwan Fund

ISLE OF MAN (FSA RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (FSA RECOGNISED)

JERSEY (REGULATED)(**)

ABSA Offshore Fund Managers (Jersey) Ltd

LUXEMBOURG (FSA RECOGNISED)

ABN AMRO Funds (z)

American Phoenix Investment Portfolios (z)

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BAII Asset Management Ltd

10 Piccadilly London W1V 0EE 0171 734 3700

Fund	Selling Price	+or -	Yield Gr's
Intermarket NAV Jan 30 F	$976.13	-0.29	-

Bank Von Ernst & Cie AG

Marktgasse 63/65, 3001 Berne, Switzerland 0041 31 3291111

Fund	Selling Price	+or -	Yield Gr's
UK Equity	£19.81	-	-
UK Smaller Co's Eqty	£27.88	-	-
Nth American Equity	$18.98	-	-
US Smaller Co's Eqty	$38.65	-	-
Pacific Basin Equity	$10.98	-	-
Japanese Equity	Y484	-	-
European Equity	DM28.65	-	-
Swiss Equity	SFr18.78	-	-

Frontrunner I (u)

Morgan Stanley Sicav

C/O First European Transfer Agent S.A.

11 Boulevard Grande-Duchesse Charlotte

L-1331 Luxembourg (352) 254701 511

Fund	Selling Price
Asian Equity A	$14.45
Asian Equity B	$14.37
Asian Equity I	$14.54
Emerging Gwth Stk A	$17.15
Emerging Gth B	$17.05
Emerging Gwth Stk I	$17.25

LUXEMBOURG (REGULATED)(**)

ACM Offshore Funds

Growth Funds

OFFSHORE INSURANCES

هكذا من الأصل

FT MANAGED FUNDS SERVICE

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OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING MATS. & MERCHANTS

CHEMICALS

CONSTRUCTION

CONSTRUCTION - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS & TEXT

HOUSEHOLD GOODS & TEXT - Cont.

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

هكذا من الأصل

هكذا من الأصل

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MEDIA - Cont.

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
Anglo Am Ind R		£22¼		*£27¾	£23¼	-	3.0	-
Barlow		£5½			£4½	-	2.8	-
Gold Flds Prop R		110	-2	187	98½	-	7.4	9.1
SA Brews	†	£16⅝		£23	£13	-	2.2	-
Standard Bank		£28½		£38	£23	-	1.9	-
Tiger Oats		880	-8	1100	780	-	2.0	Φ
Tongaat-Hulett		753½	—	780	721½	-	2.3	Φ

TRADED INDEX SECURITIES

	Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
FTSE 100 TRAINS		£5800xd	—	£58100	£472	-	-	-

GUIDE TO LONDON SHARE SERVICE

Prices and trading volumes for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. For FTSE 100 index constituents and reserves marked † in the Trading Volume table on the LSE page, last trade prices at or prior to 4.30pm market close are shown, as these shares are now traded on the Stock Exchange Electronic Trading System ("SETS"). Highs and lows are based on intra-day mid-prices/last trades over a rolling 52 week period.

Trading Volumes are end of day accumulated totals. Dashes indicate that either no trade has taken place during the day or the data is not available for those particular securities. Volumes shown for foreign securities are based on London trading.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Earnings used in calculations are based on IIMR "Headline Earnings" formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 21.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. o Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. z Dividend yield includes a special payment. F Yield based on prospectus or other official estimates for 1998-99. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1997. K Yield based on prospectus or other official estimates for 1998. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1997-98. N Dividend is paid in whole or part as a FID (Foreign Income Dividend). R Forecast annualised yield, p/e based on prospectus or other official estimates. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend, xc ex scrip issue, xr ex rights, xa ex all, xi ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1495 a year for each security shown, subject to the Editor's discretion

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The share prices printed on these pages are also available on the internet at http://www.FT.com.

LONDON STOCK EXCHANGE

Leaders move ahead but fail to hit new peaks

MARKET REPORT

By Steve Thompson,
UK Stock Market Editor

Leading UK stocks continued to struggle to break into new territory yesterday, with many fund managers reluctant to chase the FTSE 100 constituents any higher after the recent buying spree.

Late in the session, Footsie did stage a strong advance, fuelled by a powerful surge by Wall Street, where the Dow Jones Industrial Average posted an early rally, and by a burst of fresh takeover speculation involving UK conglomerate Cookson. But even that flurry of buying quickly dwindled away.

The relatively sluggish showing by the leaders was surprising after some good news on inflation. Underlying inflation fell to 2.5 per cent last month, meeting the government's target and coming in well below the consensus forecast of 2.7 per cent: the headline figure came in at 3.3 per cent, also below expectations.

The other main piece of economic news was an upbeat survey of the high street from the British Retail Consortium. This *showed sales up 6.1 per cent over* the past year.

Sentiment was slightly dented by some rather disappointing corporate results from Footsie constituents. *Of the four leaders* reporting yesterday, the worst reception was given to BOC, which delivered lower than forecast earnings in the face of sterling's strength and Asian turbulence. BOC shares fell sharply, with institutions said to be switching into ICI.

BP's report, which mentioned margin pressures, *also caused* some discomfort, although the dividend provided a useful cushion for the share price.

The second liners and small caps extended their recent run of good gains with both the FTSE 250 and FTSE SmallCap marching ahead to new intra-day and closing records.

"They've been left standing by the front-line stocks and are playing catch-up; they offer good value compared with the leaders," said one salesman.

The FTSE 250 index climbed to an intra-day peak of 4,987.4, before easing back to finish 8.7 firmer at a closing record of 4,987.0.

The FTSE SmallCap rose 3.3 to a new closing high of 2,419.9, having hit an intra-day peak of 2,420.2 in mid-morning.

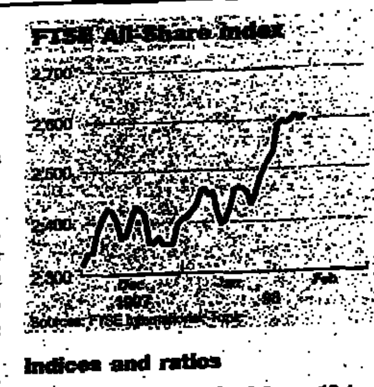
The FTSE 100, meanwhile, swung in a 43.5 point arc. It slipped just over 14 points, dropping well below 5,600, only minutes after trading commenced, but then embarked on a mid-morning upswing to a session high of 5,627.8.

That rally ran out of steam, however, and the index subsided once again before its late surge took it up 12.4 to 5,613.3 by the close. Traders said it was encouraging that the index ended above 5,600.

In their latest analysis of the FTSE 100, Merrill Lynch's technical analysts said that in the near term the index looked overbought, but they expected more new highs; in the medium term, Merrill said a "cyclical downswing is due".

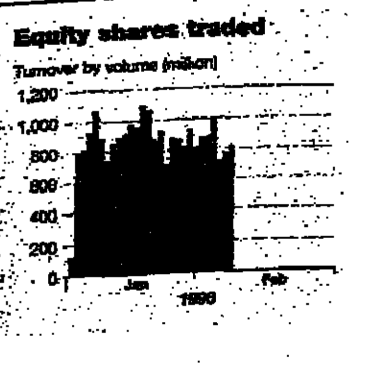
Turnover was 821.9m shares at the 6pm count, well up to recent levels.

FTSE All-Share Index



Equity shares traded

Turnover by volume (million)



Indices and ratios

FTSE 100	5613.3	+12.4
FTSE 250	4987.0	+8.7
FTSE 350	2675.5	+5.7
FTSE All-Share	2606.18	+5.41
FTSE All-Share yield	2.98	2.98
FT 30	3437.8	−7.5
FTSE Non-Fins p/e	21.34	21.28
FTSE 100 Fut Mar	5663.0	+62.0
10 yr Gilt yield	6.09	6.17
Long gilt/equity yld ratio	2.07	2.08

Best performing sectors

1 Diversified Inds .... +2.7
2 Pharmaceuticals .... +2.2
3 Household Goods & Text .... +1.9
4 Consumer Goods .... +1.2
5 Life Assurance .... +1.0

Worst performing sectors

1 Extractive Inds .... −1.7
2 Oil: Integrated .... −1.4
3 Resources .... −1.3
4 Support Services .... −1.2
5 Alcoholic Beverages .... −1.1

Bid talk surrounds Cookson

By Joel Kibazo and Peter John

Rumours of a possible bid for **Cookson Group**, the specialist industrial materials manufacturer, which surfaced late on Monday, gathered momentum yesterday sending the shares sharply ahead.

They gained 28 or nearly 15 per cent to 217p after unusually high trade of 4.4m with US group Allied Signal mentioned as a likely suitor with an opening bid well in excess of 200p a share.

However, analysts were sceptical of the takeover story. Several researchers said the recent falls in the share price may explain the advance seen over the last two sessions. The shares fell to a five-year low of 167½p last month and specialists suggested bargain-hunting ahead of full-year figures on March 5 may be the reason for the latest interest.

"There is an outside chance of corporate activity, but I think at this stage investors are simply going for a bargain stock," said one analyst.

Brokers expect 1997 profits to rise to around £179m from £45m the previous year and to reach about £195m in the current year.

Just when UK investors were starting to emerge blinking in the Asian sunlight, BOC produced a reminder that the climate in the Pacific Rim might still be uncomfortable.

The industrial gases group, which generates more than 70 per cent of its revenue overseas and much of *that in Asia*, announced first-quarter figures well below the range of forecasts.

Jeremy Chantry of Credit Lyonnais Laing said: "I think Asia is going to get worse before it gets better."

ICI higher

The shares tumbled sharply, closing down a *net* 66 at 905p. And a healthy performance from ICI, which was up 32 at best and closed 20 higher at £10.13 on active volume gave a strong signal that investors were busily moving holdings around the sector in a flight to quality.

As the stock fell, the numbers came down, too. SBC Warburg Dillon Read cut its current-year forecast to £420m from £430m, while Dresdner Kleinwort Benson reduced to £440m from £470m. *Mr Chantry at Laing* moved down by 8 per cent to £415m and Sutherlands punched all the way down to £395m with a £90m downgrade.

Asian worries also compounded perceptions of harsher trading conditions at Courtaulds. A press report that the company has shelved plans to open a Tencel plant in the Far East persuaded Sutherlands to slash its profit forecast for the year to March 1999 by £55m to £90m.

With profits at the low end of the range to pull out of the hat, BP could only disappoint. Shares in the oil major slid back 21 to 793p on heavy volume of 22m.

Replacement cost net income was £636m before exceptionals, which was close to the low-end forecast of £620m and flattered by a low tax charge. Also, there had been hopes of some new announcements at the analysts meeting and nothing significant came through.

Finally, BP predicted the price of oil – which accounts for more than 60 per cent of the company's income – *would remain at the low end* of the $15 to $20 a barrel trading range this year.

Some analysts were beginning to ponder downgrades. John Toalster of SG Securities said: "BP has disappointed for the first time since it cut the dividend in 1992. In a sense they are the victim of their past spectacular success." Shell Transport, which reports tomorrow, was steady at 424p.

Glaxo Wellcome and **SmithKline Beecham** were well bid on the possibility of a hefty special dividend with the companies' figures next week.

The stories were nebulous and varied, but dealers said a payout from Glaxo when it reports next Thursday was more likely.

And while numbers were not being discussed, a figure above 300p a share was hinted at by one dealer. *Glaxo jumped 38 to £19.32* and SmithKline 18 to 821p. Zeneca was dragged up 69 to £25.25 by the consolidation mood in the sector.

A British Retail Consortium survey and recommendations from several brokers lifted retail issues.

Dixons was the best performing stock among Footsie constituents, the shares improving 30 to 539½p.

Dixons have underperformed the market since the company's disappointing Christmas trading statement, but several brokers, including Charterhouse Tilney and SG Securities, yesterday advised investors to buy the stock.

Storehouse switch

SG was said to have advised clients to switch out of Storehouse, unchanged at 239p, and into other stocks *in the sector, including* Debenhams, whose shares hardened 11½ to 412½p.

Insurers were under some pressure despite a positive note from Goldman Sachs. The US broker stressed its enthusiasm for the composites, reiterating its "European priority" rating for Royal & SunAlliance and its "market outperformer" stance for Commercial Union. However, Goldman turned more cautious on Guardian Royal Exchange because of *the strong outperformance* of the shares.

Royal, where brokers were busily chipping away at their forecasts because of the extent of claims related to the December storms in the UK, shed 8 to 677p. SBC Warburg Dillon Read cut its current-year forecast to £860m from £890m. CU fell 7 to £10.16, but Guardian improved 6 to 398p.

Speculation about a possible merger between food retailing groups Kwik Save and Somerfield was dismissed as no more than "a low-grade rumour" by one analyst yesterday.

Talk of such a merger did the rounds yesterday, but did little for the share price of either group. The former eased to 299p, on turnover of 1.5m while the latter gave up 2 to 250½p in light trading.

One sector specialist said: "I can't see the logic of such a merger. The new group would still be faced with big problems far from easy to solve easily."

Last November, Kwik Save announced a further decline in sales and profits in spite of a costly revitalisation programme. Profits before exceptional items fell from £90.3m to £73.7m on sales, excluding value added tax, down from £3.25bn to £3bn.

Somerfield has been the subject of bid speculation in recent months and it surprised the market with stronger-than-expected *interim profits in January*. However, its marginal increase in sales growth continued to lag the industry.

FT 30 INDEX

	Feb 10	Feb 9	Feb 6	Feb 5	Feb 4	Yr ago	*High	*Low
FT 30	3437.8	3445.3	3452.5	3427.6	3413.0	2839.5	3430.3	2668.8
Ord. div. yield	3.14	3.14	3.13	3.15	3.16	4.07	4.22	3.13
P/E ratio net	22.57	22.60	22.68	22.50	22.41	17.51	22.68	15.80
P/E ratio nil	22.37	22.40	22.48	22.30	22.21	17.34	22.48	15.71

FT 30 since compilation: high 3452.5 06/02/98; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9	10	11	12	13	14	15	16	High	Low
3445.7	3438.0	3445.2	3430.9	3440.3	3437.6	3436.7	3436.5	3436.4	3449.4	3427.9

	Feb 10	Feb 9	Feb 6	Feb 5	Feb 4	Yr ago
SEAQ bargains	61,244	63,015	65,148	77,609	69,755	48,221
Equity turnover (£m)†	–	NA	NA	2418.2	2324.9	759.6
Equity bargains†	–	NA	NA	57,763	59,373	15,187
Shares traded (ml)†	–	NA	NA	666.4	582.6	305.8

†Excluding intra-market and overseas turnover but including Crest turnover.

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London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	924	Total Highs	199	Total contracts	22,637
Total Falls	548	Total Lows	37	Calls	10,033
Same	1,565			Puts	12,604

Feb 10 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	5602.0	5638.0	+26.0	5668.0	5595.0	7642	61976
Jun	-	5702.0	+27.0	-	-	0	2459

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	-	5020.0	+8.0	-	-	0	6215

■ FTSE 100 INDEX OPTION (LIFFE) (*5621) £10 per full index point

	5450		5500		5550		5600		5650		5700		5750		5800	
	C	P	C	P	C	P	C	P	C	P	C	P	C	P	C	P
Feb	216	21	165	29½	127½	43½	93	58½	64	78	43	104½	25½	137	14	178½
Mar	277½	90	246	102½	208½	121	176½	140½	146	159½	119½	183½	97	212	77	239
Apr	332	128½	298	145	268½	164½	235½	184	204½	203½	176½	227	153½	254½	130½	282½
May	379½	157	349	176	318½	195	287½	214½	257	233½	228	255	205	281½	182	307½
Jun†			419	211			347	247			286	287			237	341½

Calls 303 Puts 428.

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	5475		5525		5575		5625		5675		5725		5775		5825	
Feb	184	25½	144½	36	109	50½	78	69½	53	94½	33½	125	20	161	11	202
Mar	257½	96	221½	109½	189½	127	159	146	131½	168	106½	193	87½	223½	69½	255
Apr	316½	141½	284½	157	252	174	222	193½	194½	215	169	239	145½	265	124	293
Jun			391½	219			338	255			274½	297			224	344
Sept†			619½	283			469	318			403	358			348	399½

Calls 5,232 Puts 7,800 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1997/98 High	Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	-	97½	93½	Abbey Nat Dublin II	97½		-	-	-	-
-	F.P.	43.3	100	91½	Athlone Extrans	94	+2	-	-	-	15.4
-	F.P.	843.6	95	95	Bass B	95		-	-	-	-
-	F.P.	2,832	520	500	Diageo B	515	+5	-	-	-	-
§100	F.P.	35.5	105½	101½	Eurosov Energy	101½	-½	-	-	-	-
§25	F.P.	1.42	35½	28½	†General Inds	35½		-	-	-	-
135	F.P.	5.06	144½	139½	†Longmead	140½		L5.01	2.9	4.5	9.6
§110	F.P.	110.1	124½	93	Marchpole	94½		R3.66	2.1	4.8	12.6
§102	F.P.	23.2	102½	102½	†Razorback Vhcls	102½		-	-	-	-
-	F.P.	6.92	62½	57½	Richards Grp	60½		-	-	-	-
§	F.P.	-	6	5	Sanctuary Wrts	6	-½	-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1997/98 High	Low	Stock	Closing price p	+or-
520	Nil	13/2	56pm	39½pm	Derwent Valley	39½pm	-1
190	Nil	4/3	11½pm	9½pm	Minerva	11½pm	-
18.5	Nil	27/2	1¾pm	1¼pm	Pentex Energy	1½pm	-

pm premium.

FTSE GOLD MINES INDEX

	Feb 9	% chg on day	Feb 6	Year ago	Gross div yield %	P/E ratio	52 week High	Low
Gold Mines Index (33)	1125.11	+0.2	1122.70	1703.80	2.45	-	1907.46	891.23
■ Regional Indices								
Africa (14)	1192.06	−2.4	1220.95	2005.81	5.49	21.79	2333.56	921.78
Australasia (7)	1379.94	+2.1	1352.02	1941.72	2.51	18.01	2124.22	933.63
North America (12)	1079.62	+0.9	1069.53	1590.22	1.19	40.15	1780.66	864.85

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FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Feb 10	Day's chge%	Feb 9	Feb 6	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	5613.3	+0.2	5600.9	5629.7	4304.3	2.88	2.39	2.07	20.89	3.90	2425.21
FTSE 250	4987.0	+0.2	4978.3	4970.4	4586.6	3.34	2.76	1.86	20.08	7.53	2114.93
FTSE 250 ex IT	5012.8	+0.2	5004.9	4999.3	4626.5	3.45	2.86	1.91	18.96	7.36	2133.19
FTSE 350	2675.5	+0.2	2669.6	2680.3	2125.8	2.98	2.45	2.03	20.74	2.25	2362.45
FTSE 350 ex IT	2680.7	+0.2	2675.1	2686.1	–	2.99	2.47	2.04	20.52	2.21	1214.00
FTSE 350 Higher Yield	2671.6	+0.3	2663.6	2677.8	2053.1	3.84	3.20	1.90	17.13	1.95	2008.66
FTSE 350 Lower Yield	2695.5	+0.1	2692.1	2696.8	2204.8	2.11	1.72	2.25	26.30	2.58	1940.09
FTSE SmallCap	2419.91	+0.1	2416.69	2410.63	2326.58	2.99	2.40	1.38	26.61	2.47	2083.57
FTSE SmallCap ex IT	2407.97	+0.1	2405.45	2400.52	2338.19	3.16	2.57	1.64	23.92	2.24	2093.17
FTSE All-Share	2606.18	+0.2	2600.77	2609.93	2098.52	2.98	2.46	2.00	21.03	2.22	2335.66
FTSE All-Share ex IT	2613.52	+0.2	2608.19	2616.01	–	3.00	2.48	2.01	20.88	2.17	1204.87

■ FTSE Actuaries Industry Sectors

	Feb 10	Day's chge%	Feb 9	Feb 6	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 RESOURCES(22)	4416.02	−1.3	4472.65	4478.45	4021.80	3.57	2.92	1.79	19.59	0.00	1999.19
12 Extractive Industries(5)	3093.65	−1.7	3147.84	3170.28	3675.80	4.56	4.03	1.88	14.57	0.00	953.54
15 Oil, Integrated(4)	4845.87	−1.4	4913.46	4919.35	4146.13	3.63	2.93	1.75	19.72	0.00	2257.76
16 Oil Exploration & Prod(13)	3416.28	+0.4	3401.74	3381.97	3564.68	1.65	1.36	2.32	32.71	0.00	2101.75
20 GEN INDUSTRIALS(224)	1972.00	−0.1	1973.41	1968.70	2006.77	3.87	3.32	2.01	16.07	2.62	1144.25
21 Construction(38)	1412.60	−0.1	1413.38	1404.63	1350.88	3.28	2.64	2.26	16.84	1.00	1245.86
22 Building Matls & Merchs(27)	1869.14	+0.9	1654.52	1655.85	1866.92	4.56	3.76	1.93	14.19	0.46	894.79
23 Chemicals(25)	2597.62	−0.5	2611.82	2618.25	2334.21	3.83	3.46	1.68	19.40	0.46	1310.84
24 Diversified Industrials(11)	1355.39	+2.7	1320.91	1313.11	1480.61	4.22	3.83	2.13	13.91	10.72	827.91
25 Electronic & Elect Equip(27)	2146.59	−0.1	2149.37	2175.82	2326.14	4.14	3.35	1.67	18.06	12.12	1178.50
26 Engineering(61)	2658.89	−0.7	2676.69	2645.49	2551.77	3.62	3.19	2.65	13.04	0.79	1693.39
27 Engineering, Vehicles(11)	3492.69	—	3493.38	3522.11	2853.66	2.80	2.36	0.02	80.00†	0.26	1905.44
28 Paper, Pckg & Printing(24)	2042.43	−0.2	2047.11	2038.89	2493.12	5.13	4.24	1.91	12.79	0.48	907.59
30 CONSUMER GOODS(90)	5781.94	+1.2	5713.80	5765.89	3969.50	2.61	2.26	1.84	26.07	2.44	2259.20
32 Alcoholic Beverages(6)	3272.99	−1.1	3308.63	3296.82	2639.61	3.55	3.52	2.41	14.61	0.91	1261.00
33 Food Producers(24)	3578.05	—	3578.19	3596.26	2736.17	3.00	2.49	1.94	21.49	8.33	1716.87
34 Household Goods & Texts(24)	3237.15	+1.9	3176.20	3197.21	2705.76	3.88	3.32	1.92	16.73	0.73	1346.53
36 Health Care(14)	2348.35	−0.7	2364.61	2397.60	2215.75	2.18	1.82	1.81	31.71	0.83	1486.67
37 Pharmaceuticals(19)	10584.85	+2.2	10357.65	10525.27	6192.93	1.76	1.47	1.69	41.91	0.08	3749.29
38 Tobacco(3)	4972.68	+0.4	4951.89	4988.99	4455.59	5.70	5.08	1.59	13.74	0.00	1357.20
40 SERVICES(280)	3026.21	—	3026.34	3020.92	2641.40	2.77	2.24	1.93	23.33	5.38	1651.80
41 Distributors(28)	2491.35	+0.3	2483.20	2465.21	2798.63	3.75	3.06	2.05	16.24	0.00	966.13
42 Leisure & Hotels(27)	3411.96	−0.2	3420.30	3402.59	3439.15	2.82	2.26	2.17	20.36	17.12	1914.43
43 Media(42)	4023.91	+0.2	4016.64	4030.43	4281.00	2.57	2.13	1.65	26.27	6.06	1509.51
44 Retailers, Food(14)	2813.66	−0.3	2821.62	2883.56	1911.95	3.03	2.42	2.30	17.97	3.18	1885.10
45 Retailers, General(49)	2370.03	−0.1	2373.05	2354.24	2075.28	2.98	2.39	2.33	17.97	6.16	1431.00
46 Telecommunications(10)	3243.23	+0.3	3232.42	3197.38	2291.51	2.72	2.19	1.47	31.42	3.89	1576.77
47 Breweries, Pubs & Rest.(24)	3729.25	+0.4	3713.59	3734.87	3402.70	3.16	2.53	2.40	16.44	11.78	1990.44
48 Support Services(61)	3936.38	−1.2	3985.53	3987.18	2944.55	1.47	1.20	2.30	36.95	1.06	2560.08
49 Transport(25)	2997.71	+0.6	2980.56	2956.18	2778.23	3.41	2.78	1.21	30.16	4.78	1323.83
60 UTILITIES(23)	3721.29	−0.2	3728.66	3758.59	2722.38	4.22	3.38	1.72	17.20	4.81	1754.24
62 Electricity(9)	4189.98	+0.3	4177.93	4201.75	2884.51	4.55	3.64	2.13	12.88	3.84	2414.82
64 Gas Distribution(2)	2816.72	−0.8	2840.33	2886.33	1608.27	2.31	1.85	‡	‡	0.00	1613.31
68 Water(12)	3235.69	−0.5	3252.24	3253.93	2519.75	5.28	4.22	2.21	10.71	10.26	1965.38
69 NON-FINANCIALS(639)	2573.99	+0.1	2570.50	2576.04	2137.72	3.11	2.59	1.88	21.34	2.80	2073.32
70 FINANCIALS(108)	5470.33	+0.4	5448.89	5493.66	3946.19	2.70	2.19	2.43	19.04	0.70	2494.95
71 Banks, Retail(12)	8105.46	+0.3	8078.53	8144.07	5752.06	2.59	2.07	2.53	19.10	0.00	2798.20
73 Insurance(17)	2413.50	−0.4	2423.02	2467.37	1804.84	3.86	3.02	2.77	12.34	0.34	1960.59
74 Life Assurance(6)	6937.50	+1.0	6868.22	6918.93	4671.61	2.63	2.16	2.27	20.88	0.00	3054.37
77 Other Financial(26)	4127.68	+0.6	4103.32	4110.06	3161.11	2.59	2.07	2.28	21.65	0.28	2485.58
79 Property(45)	2337.28	+0.7	2321.35	2328.13	1864.21	2.76	2.27	1.42	31.86	3.42	1620.61
80 INVESTMENT TRUSTS(119)	3629.18	+0.3	3617.12	3599.86	3303.20	2.13	1.71	1.18	49.70	5.76	1313.11
89 FTSE All-Share(867)	2606.18	+0.2	2600.77	2609.93	2098.52	2.98	2.46	2.00	21.03	2.22	2335.66
105 FTSE All-Share ex IT(748)	2613.52	+0.2	2608.19	2616.01	–	3.00	2.48	2.01	20.88	2.17	1204.87
Information Technology	1229.93	−0.7	1239.09	1243.58	–	0.65	0.52	2.97	72.35	0.85	1230.79
FTSE Fledgling	1313.73	+0.2	1310.71	1307.66	1311.36	3.37	2.71	1.39	26.60	2.31	1441.92
FTSE Fledgling ex IT	1331.86	+0.2	1329.00	1326.56	1332.79	3.78	3.05	1.43	23.04	2.48	1466.01
FTSE AIM	994.8	+0.4	990.9	988.1	–	1.14	0.90	0.75	80.00†	0.72	916.37

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	–	5598.5	5616.3	5600.8	5609.6	5601.4	5606.1	5605.0	5626.0	5630.3	5586.8
FTSE 250	–	4980.3	4979.7	4980.7	4982.0	4982.2	4981.9	4983.9	4986.6	4987.4	4978.9
FTSE 350	–	2669.5	2676.0	2670.0	2673.6	2670.4	2672.2	2672.0	2680.4	2682.1	2664.4
FTSE SmallCap	2418.14	2418.33	2418.72	2419.99	2419.38	2419.38	2419.40	2419.03	2419.69	2420.16	2417.84
FTSE All-Share	–	2600.57	2606.54	2601.16	2604.39	2601.47	2603.15	2602.90	2610.66	2612.24	2595.82

Time of FTSE 100 Day's high: 4:29 PM Day's low: 8:37 AM. FTSE 100 1997 High: 5629.7 (06/02/98) Low: 4059.6 (10/01/97)
Time of FTSE All-Share Day's high: 4:29 PM Day's low: 8:37 AM. FTSE All-Share 1997 High: 2609.90 (06/02/98) Low: 1980.78 (02/01/97)

Further information is available on http://www.ftse.com

† Sector P/E ratios greater than 80 and net covers greater than 30 are not shown.
‡ Values are negative. Annual review changes please see FTSE Intl webside ftse.com. For Quarterly Review Changes see website www.ftse.com.

FTSE INTERNATIONAL

TRADING VOLUME

■ Major Stocks yesterday.

	Vol. 000s	Closing price	Day's change
3i†	336	525	+3
AMVESCAP†	534	562	+6
ASDA Group†	9,300	195¼	+1¼
Abbey National†	2,000	1242	+3
Arcours	2,800	407½	-1½
Alliance & Leicester†	946	960	+33
Allied Domecq†	2,400	565	-4
Anglian Water	387	842	-1
Argos	274	626	
Arjo Wiggins	628	152½	-2
Assoc. Brit. Foods†	355	630	-2
Assoc. Brit. Ports	341	297	-1
BAA†	2,100	519½	-2½
BAT Inds.†	4,000	587½	+1½
BBA	502	370½	-4
BOC†	3,900	905	-66
BG†	8,800	312	-2½
BP†	22,000	793	-21
BPB	2,500	303½	+6½
BSkyB†	1,600	367	-5
BT†	15,500	568	+1
BTR†	16,300	170	-1½
Bank of Scotland†	2,100	680	+5
Barclays†	2,900	1925	
Bass†	1,000	925	-7
Billiton†	2,300	147	+1
Blue Circle†	1,200	338	+3
Boots†	1,700	894	-11
Britannic	327	1202½	-7½
Brit. Aerospace†	1,600	1730	-4
British Airways†	8,900	585	+5
British Biotech	4,200	100	+1½
British Borneo	1,200	336	-7½
British Energy†	862	444	+6
British Land†	2,600	737½	+5½
British Steel†	15,800	141½	+3½
Burmah Castrol	186	1065	+2
Cable & Wire†	1,900	630	-2
Cadbury Schweppes†	3,800	716	-3
Caradon	1,600	176	
Carlton Comms.†	1,500	420	-10¼
Centrica†	23,500	107	-1
Comm. Union†	2,700	1016	-7
Compass	716	836	-4
Cookson	4,400	217	+28
Courtaulds	5,500	283	-2
Daily Mail A	118	2322½	-2½
Danka	845	301	+3½
Debenhams	1,600	412½	+11½
Diageo†	6,400	558	-7
Dixons†	2,800	539½	+30
EMAP	48	1074½	-½
EMI†	2,800	483	-8
Electrocomps	551	468½	
Energy Group†	816	770½	+½
Enterprise Oil†	1,500	575	
Flextech	79	501½	-1
Foreign & Col. I.T.	1,200	183¼	-½
Gallaher	1,000	365	+8
Gen. Accident†	2,000	1288	+3
General Elect.†	7,800	388½	-½
Glaxo Wellcome†	4,800	1932	+38
Granada†	2,700	905	-14
GUS†	2,400	759	+1
Greenalls	169	412	+½
GRE†	1,700	398	+6
GKN†	706	1335	
HSBC (75p shs)†	1,400	1700	+21
HSBC (HK$10)†	1,900	1595	+10
Halifax†	7,200	918½	-1½
Hammerson	118	512½	+1
Hanson	997	286	+1
Hays†	553	888	-3
Hillsdown	2,100	149½	-½
Hyder	179	974	-5
IMI	268	402	-4½
ICI†	3,300	1013	+30
Imperial Tobacco	1,600	439	-1
Inchcape	2,200	150½	-½
Johnson Matthey	279	543½	-13
Kingfisher†	2,900	1016	+21
Ladbroke†	1,600	288	+3½
Land Securities†	1,500	1104	+23
Laporte	436	659½	-9
Legal & General†	3,400	680	+18½
Liberty Intl.	674	553½	
Lloyds TSB†	6,700	880	+2½
LASMO†	1,100	270	+8
LucasVarity†	4,500	214	+1
MEPC	2,100	593	-5
Marks & Spencer†	3,500	583½	-10½
Misys	1,100	2240	-77½
Morgan Crucible	278	421½	-4½
Morrison (Wm.)	128	254	-1½
NFC	1,400	172½	+3
NatWest Bank†	3,000	1162	+6
National Grid†	35,500	316	-6
National Power†	2,100	660	+8
Next†	3,500	772	-8
Northern Foods	161	269½	-½
Northern Rock	881	626½	+1½
Norwich Union†	3,400	449	+4
Nycomed Amer†	216	2410	-40
Nycomed Amer NV†	3	2400	+29
Orange†	3,300	335½	+15½
Pearson†	3,000	839½	+19½
P & O†	1,700	735	+16
Pilkington	3,100	111	+½
PowerGen†	864	865	+15
Premier Farnell	2,000	385	+5½
Provident Financial	1,200	881	+9
Prudential†	3,800	825	+5½
REXAM	1,200	270	-3½
RMC	385	830	+5
Railtrack†	1,500	870	-4
Rank Group†	4,800	309	+3
Reckitt & Colman†	512	1045	+33
Redland	13	342	
Reed Intl.†	6,400	658	-7
Rentokil Initial†	5,300	280	-13
Reuters†	6,100	572	+10½
Rio Tinto†	3,900	805	-24
Rolls Royce†	6,800	199	-5½
Royal & Sun Allce†	4,500	677	-8
Royal Bk Scotland†	860	947	-8
Safeway†	1,500	379	
Sainsbury†	2,300	481½	-6½
Schroders†	68	1950	
Schroders NV†	7	1775	+52
Scottish & New.†	832	817	+8
Scot. Hydro-Elect.	600	573½	-3
Scottish Power†	1,800	511	-4
Sears	6,600	49	+½
Securicor	1,700	354	+2½
Sema	640	1787½	
Severn Trent†	533	955	-10
Shell Transport†	12,800	424	-½
Siebe†	1,300	1187	-30
Slough Ests	178	373½	+6
Smith (W.H.)	6,200	467	-½
Smith & Nephew	2,700	173½	-½
SmKl Beecham†	6,800	821	+18
Smiths Inds.†	778	803	-17
Southern Elect	1,300	650	+3
South West Water	431	918	-7
Stagecoach	340	611½	+8
Standard Chartd.†	1,600	881	-1
Storehouse	2,100	239	
Sun Life & Prov.†	406	579	+9
T & N	70	253½	-½
TI Group	894	487	+12
Tarmac	2,100	102	+¼
Tate & Lyle	254	503½	-1½
Tesco†	3,200	517	
Thames Water†	840	957	-2
Tomkins†	3,100	333	+2
Unigate	147	545½	+4½
Unilever†	8,600	524	+1½
United Assurance	402	603½	+11
United Biscuits	2,200	260	+½
Utd. News & Media†	1,700	730	+8½
United Utilities†	1,000	824	-4½
Vendome	8,600	480	+1
Vodafone†	9,700	514	+1½
WPP	1,400	273	+6½
Wessex Water	245	488	-4½
Whitbread†	1,300	968	+13½
Williams†	1,300	393	+6¼
Wolseley†	1,600	490	+19
Woolwich†	2,700	372	-4
Yorkshire Water	288	492½	-1
Zeneca†	1,300	2525	+69

Based on trading volume for a selection of major securities yesterday until 4.30pm. † Indicates a FTSE 100 Index constituent or reserve. All trades are rounded. Source: Extel, part of FT Information.

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Feb 10 / Sch)

BELGIUM/LUXEMBOURG (Feb 10 / Frs)

CZECH REP (Feb 10 / Korun)

DENMARK (Feb 10 / Kr)

FINLAND (Feb 10 / Mka)

FRANCE (Feb 10 / Frs)

GERMANY (Feb 10 / Dm)

GREECE (Feb 10 / Drachma)

ITALY (Feb 10 / Lire)

NETHERLANDS (Feb 10 / Fl)

NORWAY (Feb 10 / Kroner)

POLAND (Feb 10 / Zloty)

PORTUGAL (Feb 10 / Escudo)

SPAIN (Feb 10 / Pts)

SWEDEN (Feb 10 / Kronor)

SWITZERLAND (Feb 10 / Frs)

TURKEY (Feb 10 / Tk Lira)

PACIFIC

JAPAN (Feb 10 / Yen)

HONG KONG (Feb 10 / HK$)

INDONESIA (Feb 10 / Rupiah)

MALAYSIA (Feb 10 / MYR)

NEW ZEALAND (Feb 10 / NZ $)

SINGAPORE (Feb 10 / S$)

AUSTRALIA (Feb 10 / Aus$)

SOUTH KOREA (Feb 10 / Won)

TAIWAN (Feb 10 / TW $)

THAILAND (Feb 10 / Baht)

AFRICA

SOUTH AFRICA (Feb 10 / Rand)

NORTH AMERICA

CANADA

TORONTO (Feb 10 / Can $) 4 pm close

MONTREAL (Feb 10 / Can $) 4 pm close

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	MONDAY FEBRUARY 9 1998 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	FRIDAY FEBRUARY 6 1998 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (73)	209.76	1.1	190.42	164.87	197.80	207.61	0.9	3.86	207.49	186.38	162.09	193.45	205.71	243.87	190.26	214.83
Austria (23)	200.33	-0.4	181.85	157.46	188.90	188.78	0.8	1.76	201.08	180.63	157.09	187.48	187.35	213.59	175.14	182.18
Belgium (26)	273.48	-0.6	248.26	214.95	257.88	252.57	0.6	2.73	275.09	247.11	214.91	256.49	251.13	275.09	227.73	229.89
Brazil (30)	233.07	2.4	211.58	183.20	219.78	482.69	2.4	1.74	227.58	204.43	177.79	212.18	471.30	322.44	184.94	224.07
Canada (121)	217.06	-0.5	197.05	170.61	204.68	225.53	0.0	1.77	218.20	196.01	170.46	203.44	225.52	233.66	178.27	198.97
Denmark (34)	461.49	-1.0	418.94	362.73	435.17	433.95	0.2	1.16	465.99	418.60	364.05	434.48	433.10	468.39	348.27	365.64
Finland (28)	312.12	-0.6	283.33	245.32	294.31	360.36	0.5	1.74	314.13	282.18	245.41	292.89	358.49	349.43	243.25	258.63
France (81)	251.44	-0.9	228.26	197.63	237.10	239.83	0.2	2.24	253.84	228.02	198.31	236.67	239.36	253.84	209.81	220.18
Germany (58)	244.51	0.3	221.96	192.19	230.57	230.57	1.4	1.30	243.81	219.02	190.47	227.32	227.32	247.28	190.37	190.37
Hong Kong, China (68)	352.13	4.5	319.66	276.78	332.05	349.85	4.5	4.56	336.89	302.63	263.19	314.11	334.63	580.03	262.93	504.85
Indonesia (27)	54.20	-0.3	49.20	42.60	51.11	314.19	-3.4	2.14	54.38	48.85	42.48	50.70	325.28	254.90	27.67	247.11
Ireland (16)	445.54	-0.8	404.45	350.19	420.13	454.01	0.3	2.18	449.10	403.43	350.85	418.73	452.59	453.89	321.33	332.73
Italy (54)	133.51	-1.5	121.20	104.94	125.89	178.69	-0.3	1.34	135.49	121.71	105.85	126.32	179.26	135.49	83.01	95.63
Japan (481)	106.73	0.7	96.70	85.46	102.53	85.46	1.3	0.93	107.95	96.97	84.33	100.65	84.33	141.12	88.52	109.16
Malaysia (107)	214.69	1.6	194.89	168.74	202.44	316.29	0.6	2.32	211.31	189.82	165.08	197.02	314.54	660.85	113.56	633.39
Mexico (29)	1583.38	-1.5	1437.36	1244.53	1493.09	14635.42	-1.1	1.53	1608.19	1444.63	1256.36	1499.41	14801.45	1901.98	1326.16	1335.42
Netherlands (19)	424.00	-0.9	384.90	333.26	399.82	395.71	0.2	2.12	428.05	384.52	334.41	399.10	394.92	440.67	330.32	332.44
New Zealand (14)	75.64	1.3	68.66	59.45	71.32	68.79	0.9	4.49	74.68	67.08	58.34	69.62	68.15	96.47	71.49	87.92
Norway (38)	298.41	-1.4	271.60	235.34	282.33	307.26	-0.3	2.01	303.59	272.72	237.17	283.06	308.19	374.64	281.62	315.36
Philippines (22)	88.31	1.7	80.17	69.41	83.27	176.26	0.4	1.15	86.80	77.97	67.81	80.93	175.62	210.94	57.54	210.31
Singapore (42)	217.18	-2.6	197.13	170.68	204.77	165.87	-2.2	1.93	222.92	200.25	174.15	207.84	169.60	448.01	144.01	429.95
South Africa (43)	281.36	-0.1	255.41	221.14	265.31	302.22	0.3	2.81	281.51	252.88	219.92	262.47	301.28	370.12	227.66	349.45
Spain (33)	299.24	-2.7	271.65	235.21	282.18	348.53	-1.6	2.01	307.88	276.37	240.35	286.85	354.15	307.66	206.12	216.48
Sweden (49)	490.09	-1.1	444.90	385.21	462.14	588.89	0.2	1.77	495.39	445.00	387.01	461.88	587.86	539.94	405.00	421.54
Switzerland (31)	371.13	-1.0	336.90	291.70	349.96	335.54	0.0	1.00	374.79	336.67	292.80	349.44	336.43	374.79	245.34	248.65
Thailand (39)	30.69	-2.1	27.86	24.12	28.94	56.93	-2.6	5.08	31.34	28.16	24.49	29.22	58.45	86.40	13.10	83.73
United Kingdom (213)	356.46	-1.5	323.59	280.16	336.13	323.59	-0.4	3.03	361.76	324.97	282.62	337.30	324.97	361.76	271.72	280.05
USA (638)	412.52	-0.2	374.48	324.24	388.99	412.52	-0.2	1.52	413.19	371.17	322.80	385.24	413.19	413.19	299.79	321.23
Americas (918)	373.69	-0.2	339.23	293.72	352.38	315.60	-0.1	1.54	374.31	336.24	292.42	349.00	316.04	374.31	274.59	294.09
Europe (703)	309.64	-1.1	281.09	243.38	291.98	296.11	0.0	2.17	313.00	281.17	244.52	291.83	296.05	313.00	237.94	241.94
Nordic (149)	429.70	-1.0	390.07	337.74	405.19	447.71	0.2	1.69	434.10	389.95	339.13	404.73	446.88	464.93	356.77	370.09
Pacific Basin (871)	118.20	1.1	107.30	92.90	111.46	94.74	1.5	1.54	116.97	105.07	91.38	109.06	93.35	158.69	95.32	131.50
Euro-Pacific (1574)	198.06	-0.3	179.79	155.67	186.76	170.48	0.5	1.95	198.74	178.53	155.26	185.30	169.58	209.12	172.03	177.53
North America (758)	400.00	-0.2	363.11	314.40	377.18	399.88	-0.2	1.53	400.71	359.96	313.05	373.61	400.52	400.71	292.34	313.86
Europe Ex. UK (490)	277.61	-0.8	252.01	218.20	261.78	273.72	0.3	1.67	279.98	251.51	218.73	261.05	272.98	279.99	213.38	216.25
Pacific Ex. Japan (390)	207.22	2.2	188.11	162.88	195.41	206.57	2.0	3.77	202.67	182.06	158.33	188.96	202.44	318.98	181.31	315.60
World Ex. US (1797)	201.09	-0.3	182.55	158.06	189.62	176.84	0.5	1.94	201.76	181.24	157.62	188.11	175.95	212.89	175.30	181.34
World Ex. UK (2222)	260.86	-0.1	236.80	205.04	245.98	238.92	0.2	1.57	261.11	234.56	203.99	243.45	238.35	262.89	211.16	220.85
World Ex. Japan (1954)	349.40	-0.4	317.18	274.63	329.48	344.52	0.0	1.85	350.75	315.08	274.01	327.03	344.52	350.75	271.90	285.26
The World Index (2435)	268.96	-0.2	244.16	211.40	253.62	244.72	0.2	1.79	269.62	242.20	210.64	251.39	244.31	269.62	218.61	225.90

Emerging markets: IFC investable indices

Dollar terms

Feb 9 Market		Day's % chg	% Chg since 31/12/96
Latin America			
Argentina	1,085.01	-0.7	-2.8
Brazil	470.17	+2.2	-2.8
Chile	554.32	-0.1	-13.7
Colombia[1]	659.42	-0.8	-15.3
Mexico	685.58	-1.5	-13.0
Peru[2]	198.76	-0.6	-9.8
Venezuela[3]	768.85	-2.6	-16.0
East Asia			
China[4]	51.56	-9.8	-6.0
Korea[5]	39.16	-2.1	+63.0
Philippines	123.77	-1.9	+9.8
Taiwan, China[6]	152.48	+1.0	+8.7
South Asia			
India[7]	78.48	-0.7	-8.2
Indonesia[8]	28.92	+0.7	-20.0
Malaysia	119.83	+1.7	-31.5
Pakistan[9]	242.23	+0.1	-2.5
Sri Lanka[10]	111.82	+0.5	-3.8
Thailand	74.80	-0.6	-59.2
Europe/Mideast/Africa			
Czech Rep	58.72	+2.3	-1.8
Egypt	88.55	+1.9	-5.0
Greece	331.61	+2.1	+2.4
Hungary[11]	302.14	+0.3	-4.0
Israel	111.09	-1.8	-6.7
Jordan	207.72	+0.4	-1.2
Morocco	133.73	-0.1	+2.6
Poland[12]	660.13	+4.1	+15.6
Portugal	248.14	-2.0	+18.0
Russia	115.67	-0.7	-22.1
S Africa[13]	194.14	+0.3	-8.0
Slovakia	86.42	-1.3	-12.8
Turkey[14]	224.36	-5.5	-34.9
Zimbabwe[15]	267.06	-1.0	-6.1
Regions			
Composite	244.09	-0.2	-3.8
Latin America	617.59	-0.0	-8.8
Asia	134.81	+1.4	+15.7
EMEA	141.20	-0.4	-2.4

Base data: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1993; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1982; (15)Aug 2 1993; (16) July 2 1993.

Latest: Indices were unavailable for this edition.

NEW YORK STOCK EXCHANGE PRICES

4 pm close February 10

- A -

1997/98 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
48⅞	24¼	AAR	0.48	1.0	36	858	47¾	47	47⅝	+⅜
56[illegible]	33⅝	AMP x	1.08	2.5	20	6772	42[illegible]	42¼	42[illegible]	+⅝
135½	78¼	AMR			10	5206	132½	129½	132[illegible]	+1[illegible]
37⅞	19	ASA	0.80	3.4	15	312	24⅛	23[illegible]	23¾	[illegible]
72¼	49¼	AbbtL x	1.08	1.5	27	13348	[illegible]	71½	73[illegible]	+1[illegible]
20½	11½	AbtRst	0.40	2.8	7	1731	14⅝	14⅛	14⅛	[illegible]
31½	17⅝	ABM Ind	0.48	1.5	26	178	[illegible]	31[illegible]	31[illegible]	[illegible]
28⅝	17¼	Acceptcsh			11	209	24	23[illegible]	23[illegible]	[illegible]
101[illegible]	56¼	ACE Ltd	0.68	1.0	12	673	98⅛	96¼	98	+1
11½	10	ACM Gvt In x	0.90	7.9	12	453	11[illegible]	11⅛	11[illegible]	
8[illegible]	7	ACM GvOpp x	0.63	7.8		114	8¼	8⅛	8⅛	[illegible]
10[illegible]	9⅛	ACM Man x	0.90	8.7		471	10⅛	10[illegible]	10[illegible]	[illegible]
10⅛	4⅝	Acme Elect				185	9[illegible]	9⅞	9⅝	[illegible]
20	8½	Acme Mills				113	10	9⅞	10	
24⅝	14	ACNielsen			40	1344	22[illegible]	21[illegible]	22[illegible]	[illegible]
28¾	15[illegible]	Acuson			40	712	17	16⅝	17	
25½	19⅛	Adams Expr	0.55	2.2	1	200	[illegible]25½	25⅛	25⅛	[illegible]
48½	17⅛	AdvMic				11500	19[illegible]	19[illegible]	19⅞	[illegible]
27½	10⅝	Advest Grp	0.12	0.5	17	194	23[illegible]	22[illegible]	23[illegible]	[illegible]
23⅝	11⅜	Advo Inc			19	2500	23⅛	22[illegible]	23⅛	[illegible]
98[illegible]	61⅛	Aegon	1.31	1.3	27	429	97½	97⅛	97[illegible]	[illegible]
12[illegible]	3⅛	Aetfa				1660	11[illegible]	11⅛	11[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- B -

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- C -

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- E -

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- J -

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- V -

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- W -

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
82[illegible]	54⅝	Weyrhsr	0.76	1.0	32	1027	75⅛	74[illegible]	75	[illegible]
24[illegible]	12⅞	Wyman Iat	0.21	0.9	17	85	22¾	22	22¾	[illegible]

- X - Y - Z -

87[illegible]	61½	Xerox	1.44	1.7	19	[illegible]	85¾	84[illegible]	84[illegible]	[illegible]
61⅝	40½	Xtra Corp	0.88	1.5	19	180	[illegible]61⅝	60[illegible]	60[illegible]	[illegible]
27[illegible]	20¾	Yankee Egy	1.34	5.4	16	127	25⅛	25	25	
38	34⅛	York Int	0.48	1.3	13	922	37[illegible]	36½	37	[illegible]
11½	4	Zapata	0.28	2.4	28	558	[illegible]11[illegible]	11[illegible]	11⅛	[illegible]
12⅝	5⅛	ZenithEl				875	[illegible]	[illegible]	[illegible]	
28⅝	24½	Zenith Nat x	1.00	3.9	16	69	25[illegible]	25[illegible]	25¾	[illegible]
8[illegible]	7⅛	Zeris Inc	0.76	9.0		186	[illegible]	8[illegible]	8[illegible]	[illegible]
32[illegible]	17¾	Zero x	0.12	0.5	16	69	25[illegible]	25[illegible]	25[illegible]	[illegible]
14	10½	ZweigFdA	1.24	9.4		295	13¼	13[illegible]	13[illegible]	[illegible]
9¼	8	Zweig Totl x	0.84	8.8		766	9[illegible]	9[illegible]	9½	[illegible]

Price data supplied by Telekurs, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. s/s-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
† Dealings suspended.

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GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Feb 9	Feb 6	Feb 5	1997/98 High	1997/98 Low	Since compilation High	Since compilation Low
Industrials	8180.52	8189.49	8117.25	8259.31 (6/8/97)	6391.69 (11/4/97)	8259.31 (6/8/97)	41.22 (8/7/32)
Home Bonds	105.20	105.31	105.29	106.48 (15/1/98)	101.09 (14/4/97)	106.48 (15/1/98)	54.99 (1/10/81)
Transport	3483.17	3416.25	3387.14	3483.17 (9/2/98)	2222.07 (2/1/97)	3483.17 (9/2/98)	13.23 (8/7/32)
Utilities	266.13	265.98	263.81	272.81 (31/12/97)	209.47 (25/4/97)	272.81 (31/12/97)	10.53 (8/7/32)

DJ Ind. Day's high 8258.75 (8255.26) Low 8104.55 (8102.30) (Theoretical)¶
Day's high 8216.55 (8211.07) Low 8141.91 (8113.13) (Actual)¶

Standard and Poors	Feb 9	Feb 6	Feb 5	1997/98 High	1997/98 Low	Since compilation High	Since compilation Low
Composite‡	1010.74	1012.46	1003.54	1012.46 (6/2/98)	737.01 (2/1/97)	1012.46 (6/2/98)	4.40 (1/6/32)
Industrials♥	1177.05	1180.61	1171.29	1180.61 (6/2/98)	865.42 (11/4/97)	1180.61 (6/2/98)	3.52 (30/6/32)
Financial♥	121.05	120.57	119.06	121.05 (9/2/98)	80.75 (2/1/97)	121.05 (9/2/98)	7.13 (4/8/74)
Others							
NYSE Comp	525.97	526.31	522.97	526.31 (6/2/98)	389.47 (11/4/97)	526.31 (6/2/98)	4.64 (25/4/42)
Amex Comp	680.42	680.32	677.00	721.90 (7/10/97)	541.20 (28/4/97)	721.90 (7/10/97)	524.20 (19/7/95)
NASDAQ Cmp	1690.43	1694.35	1676.90	1745.85 (9/10/97)	1201.00 (2/4/97)	1745.85 (9/10/97)	54.87 (3/10/74)
Russell 2000	447.28	445.50	444.06	465.21 (13/10/97)	335.85 (25/4/97)	465.21 (13/10/97)	123.36 (7/12/83)

■ RATIOS

	Feb 6	Jan 30	Jan 23	Year ago
Dow Jones Ind. Div. Yield	1.69	1.74	1.79	1.95
	Feb 4	Jan 28	Jan 21	Year ago
S & P Ind. Div. yield	1.43	1.47	1.47	1.78
S & P Ind. P/E ratio	27.31	26.53	25.88	24.09

US DATA

■ MARKET ACTIVITY

● Volume (million)	Feb 9	Feb 6	Feb 5
NYSE	542.540	569.650	703.980
Amex	24.085	26.420	29.817
NASDAQ	695.750	761.807	874.887

NYSE	Feb 9	Feb 6	Feb 5
Issues Traded	3,432	3,419	3,432
Rises	1,413	1,748	1,637
Falls	1,468	1,145	1,231
Unchanged	551	526	564
New Highs	163	171	234
New Lows	12	15	16

■ NYSE TRADING ACTIVITY — Volume : 542,540,000

■ ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
Compaq	11,873,000	35¼	+⅞
Amer Online	5,867,900	110⅞	+11⅞
Tel Brasil	4,324,400	116⅞	+3¾
Columbia/HCA	3,895,500	25¾	+1⅛
Eli Lilly	3,554,000	64⅞	−1⅞
CBS Corp	3,482,900	30⅝	+¼
AT&T	3,436,700	63⅛	−⅞
Gulf Can Rs	3,365,800	5⅛	−⅛
Ford Mtr	2,993,700	52¾	+1⅛
IBM	2,904,900	98⅞	+⅞

■ BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
Coins E. Air	16	+2	+14.3
Amer Online	111¼	+12¼	+12.8
Champion Ent	22⅞	+2⅛	+10.1
Ethan allen	50⅞	+2⅛	+4.5
Downs			
Provident	33⅞	−2	−5.8
Enesco Intl	26⅞	−1½	−5.4
Superior Tlcm	31¼	−1⅛	−4.7
Essex Intl	35¼	−1⅝	−4.4

■ NASDAQ TRADING ACTIVITY — Volume :695,750,000

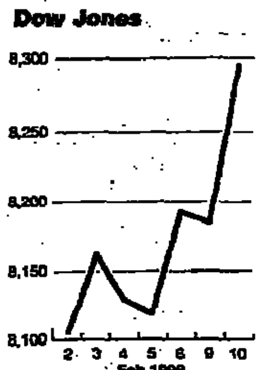
■ ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
Oracle	26,837,000	27⅞	+⅞
Geotek Cmms	22,223,900	1⅝	+⅛
Intel	11,411,000	85⅞	−1¼
Appld Matl	9,869,200	34¾	−1¼
Cisco Sys	9,292,400	84	−1⅞
Oxford Hlth	8,672,400	20⅝	+1⅛
Sun Microsys	8,533,400	45⅝	−1⅝
Informix	8,159,000	7½	+1⅛
Microsoft	6,744,800	157⅛	−⅞
Worldcom	6,674,800	36⅞	−⅛

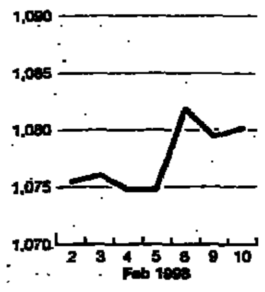
■ BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
Panhandle Rty	33	+5½	+20
Tractor Spply	16⅞	+2⅞	+19.2
E Trade Grp	27¼	+4⅛	+17.5
Engineerd So	20½	+2⅝	+15.3
Downs			
Pthfndr Bkcp	19¾	−12¼	−38.3
Restrac Stware	7⅞	−2⅛	−21.5
Cell-Net Ent	12½	−2⅝	−18
IEC Elr	11⅛	−2⅛	−18.5

Dow Jones



FTSE Eurotop 300



JAPAN

	Feb 10	Feb 9	Feb 6	1997/98 High	1997/98 Low	Since compilation High	Since compilation Low
Nikkei 225	17205.09	17205.00	17040.06	20681.1	14664.4	38915.9	85.25

Day's high: 17256.24 Day's low: 17161.74

■ TOKYO TRADING ACTIVITY — Volume : 608,000,000

■ ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Day's change
Np Steel Cp	20,412,000	243	+2
LTCB	19,685,000	355	+13
Sakura Bank	18,492,000	550	−1
Fuji Bank	16,546,000	942	+32
Daiwa Bank	14,839,000	406	+18
Sumo Mil Ind	12,617,000	233	+6
Kawasaki Stl	12,196,000	225	
Fujita Cp	12,093,000	150	+10
Aoki Cp	12,056,000	114	+5
Mitsui T & B	12,038,000	462	+23

■ BIGGEST MOVERS

Tuesday	Close price	Day's change	Day's chge %
Ups			
Nichimo Cp	290	+80	+40
Nakano Cp	312	+80	+33.6
Hitachi Seiki	325	+69	+27
Np Hume Pip	391	+80	+25.7
Dado Concr	242	+49	+25.1
Np Concrete	400	+80	+25
Downs			
Odakyu Cons	505	−44	−8
Dai Np Prtg	2270	−160	−6.6

FRANCE

	Feb 10	Feb 9	Feb 6	1997/98 High	1997/98 Low	Since compilation High	Since compilation Low
CAC 40	3235.76	3220.94	3216.66	3235.76	2256.37	3235.76	964.61

Day's high: 3249.23 Day's low: 3212.10

■ PARIS TRADING ACTIVITY — Volume : 288,321,450

■ ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Day's change
Fr Telecom	1,810,774	281.8	+10.1
Rhn-Pinc A	1,788,322	272.1	+5.1
Casino Gch	1,468,107	368.6	+8.5
Renault	792,231	196.9	+2.4
Michelin	788,734	316.5	−11.5
Paribas	745,627	562	−8
Euro Disney	673,045	9.2	
B.N.P.	668,415	335	−3
Axa-UAP	655,527	529	−5
Elf Aqtne	511,019	660	−6

■ BIGGEST MOVERS

Tuesday	Close price	Day's change	Day's chge %
Ups			
Baccarat	664	+64	+10.7
NB de Nvgtn	131	+11.6	+9.7
Supra	47	+4	+9.3
Soie (La)	234	+15.5	+7.1
Downs			
Aurea	58	−8	−12.1
Mecatherm	209.2	−22.2	−9.6
Cetelem	685	−53	−7.2
ANF (Ateli)	631	−39	−5.8

GERMANY

	Feb 10	Feb 9	Feb 6	1997/98 High	1997/98 Low	Since compilation High	Since compilation Low
DAX	4523.75	4563.55	4496.33	4583.55	2842.77	4583.55	931.18

Day's high: 4538.70 Day's low: 4517.27

■ FRANKFURT TRADING ACTIVITY — Volume : 19,123,606

■ ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Day's change
Continental	1,051,537	41.8	−0.9
Dt Telekom	1,001,019	33.95	
Bayer	889,737	77.1	−1.45
Deutsche Bk	566,004	121.9	−0.95
Siemens	581,116	113.15	−0.35
Mtgstschft	558,020	38.3	+2
Commzbank	496,709	68.1	−0.7
BASF	449,651	63.4	−1.35
Lfthnsa Rg	336,324	32.55	+0.15
Daimler-Benz	327,052	128.5	−2.95

■ BIGGEST MOVERS

Tuesday	Close price	Day's change	Day's chge %
Ups			
Singlus Tech	103.5	+8.5	+8.5
Bmbrgr Bl	2330	+150	+6.9
Glunz	65.1	+4.1	+6.7
Bera	35	+2	+6.1
Downs			
Leica Cam	24	−5.8	−19.5
Berl Kraft & L	53.7	−2.3	−4.1
Beiersdorf	83.5	−3.5	−4
Villry & Bch	230.5	−9.5	−4

UK

	Feb 10	Feb 9	Feb 6	1997/98 High	1997/98 Low	Since compilation High	Since compilation Low
FTSE 100	5613.3	5600.9	5629.7	5629.7	4056.6	5629.7	986.9

Day's high: 5630.3 Day's low: 5586.8

■ LONDON TRADING ACTIVITY — Volume : 821,900,000

■ ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Day's change
Centrica	23,451,010	107	−1
BP	21,916,850	793	−21
Br Steel	15,771,230	141½	+3½
BT	15,483,080	556	+1
BTR	15,277,000	170	−1½
Shell T&T	12,550,090	424	−½
Vodafone	9,645,848	514	+1½
ASDA	9,258,839	195¼	+1¼
Br Airways	8,849,456	566	+5
SmKl Bchm	8,701,962	821	+18

■ BIGGEST MOVERS

Tuesday	Close price	Day's change	Day's chge %
Ups			
Intl Env	34	+9½	+38.8
Riverview	150	+25	+20.0
Ideal Hdwr	545	+80	+17.2
Cookson	217	+28	+14.8
Downs			
Biocompbls	180	−35	−16.3
Advent VCT	80	−12	−13.0
Quarto	57½	−6½	−10.2
Ter Hldgs	103½	−11½	−10.0

INDEX FUTURES

■ S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	1015.00	1015.00	–	1016.60	1012.30	83,307	388,357
Jun	–	1025.50	–	1030.80	1020.70	1,000	13,928
■ Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	17210.0	17220.0	+30.0	17280.0	17170.0	14,422	194,292
Jun	17150.0	17160.0	+70.0	17200.0	17120.0	3,923	48,238

■ CAC-40 (200 x index)	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Feb	3227.0	3247.0	+19.0	3260.0	3223.0	8,780	40,842
Mar	3237.5	3255.5	+19.0	3268.0	3235.0	269	24,196
■ DAX							
Mar	4535.0	4580.0	+46.5	4580.0	4516.5	19,074	75,669
Jun	4560.0	4610.0	+1.0	4576.5	4550.0	1,811	27,774

■ OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Feb	2600.00	2595.00	−2.50	2613.00	2591.50	3,097	26,871
Mar	2602.25	2603.00	−2.00	2616.75	2598.25	674	3,490
■ SOFFEX							
Feb	6821.1	6869.0	+48.0	6890.0	6821.1	2,407	20,341
Mar	6852.0	6875.9	+47.9	6878.8	6850.3	75	1,044

Open interest figures for previous day.

WORLD MARKETS AT A GLANCE

Country	Index	Feb 10	Feb 9	Feb 6	1997/98 High	1997/98 Low	✣ Yield	✣ P/E
Argentina	General	22737.95	22538.48	22684.80	26771.70 22/10/97	18237.40 2/1/97	2.89	19.3
Australia	All Ordinaries	2668.0	2665.3	2656.1	2779.20 25/9/97	2289.20 28/10/97	3.39	19.5
	All Mining	658.7	661.5	648.0	987.19 24/2/97	541.19 27/11/97		
Leading mining stocks fell with weak base metal prices, but golds firmed on stable bullion.								
Austria	Credit Aktien	474.79	478.82	480.15	480.52 5/2/98	374.40 9/1/97	1.89	13.8
	ATX Index	1340.03	1351.79	1343.34	1480.49 31/7/97	1130.22 9/1/97		
Turned lower in dull volumes. Leading brewer BBAG fell 4.7 per cent.								
Belgium	BEL20	2626.79	2637.36	2625.55	2637.36 9/2/98	1971.85 2/1/97	2.07	17.9
Profit-taking in sluggish volume sent shares lower.								
Brazil	Bovespa	10361.0	10240.0	10011.0	13617.60 8/7/97	8955.80 2/1/97	0.72	na
§Early gains in New York left shares higher at midsession.								
Canada	TSE 100♦	418.38	417.07	416.51	430.48 7/10/97	342.12 11/4/97	1.85	20.4
	Metals Mins♦	4086.99	4050.06	4029.96	5691.75 10/3/97	3442.36 12/1/98		
	Composite♦	6868.90	6846.90	6847.13	7209.96 7/10/97	5870.30 14/4/97		
	Portfolio§§	3541.91	3527.39	3519.80	3547.99 7/10/97	2846.02 11/4/97		
§Golds leader Barrick fell on final-quarter results but broad market tracked Wall Street higher.								
Chile	IGPA Gen♥	4277.41	4290.83	4314.91	5666.71 4/7/97	4243.47 27/1/98	3.01	14.2
China	Shanghai B	55.61	51.55	(c)	98.21 7/5/97	40.88 12/1/98	0.83	53.3
	Shenzhen B	98.97	93.18	(c)	184.20 6/5/97	77.98 12/1/98		
Shanghai B shares continued to catch up with Hong Kong after China's two-week holiday. Volume swelled to $29.5m.								
Colombia	IBB	1292.77	1301.90	1307.16	1533.72 16/10/97	844.41 2/1/97	na	na
Czech Republic	PX 50	485.2	477.3	485.5	628.00 25/2/97	482.40 4/2/98	na	na
Continued rally for koruna helped IR market. Komercni banka jumped 7 per cent.								
Denmark	CopenhagenSE	693.44	694.72	692.23	708.09 6/1/98	478.14 2/1/97	1.22	22.5
Shares turned lower as bank stocks lost ground ahead of next week's results season.								
Egypt	Cairo SE Gen	352.95	356.32	(c)	– –	– –	na	na
Finland	HEX General	3694.83	3682.46	3675.57	3880.81 22/10/97	2463.28 2/1/97	2.14	15.5
Strong profits drove confectionery and packaging group Huhtamaki higher, but overall market stayed subdued.								
France	SBF 250	2080.25	2081.62	2076.95	2080.25 10/2/98	1533.19 2/1/97	2.44	18.1
	CAC 40	3235.76	3220.94	3216.66	3235.76 10/2/98	2256.97 2/1/97		
Record high reached in spite of a severe slowdown for tyre leader Michelin.								
Germany	FAZ Aktien	1458.16	1472.42	1457.13	1481.44 31/7/97	986.21 2/1/97	1.36	20.4
	Commerzbank	4320.90	4356.20	4313.00	4356.20 9/2/98	2876.99 2/1/97		
	DAX‡	4523.75	4563.55	4496.33	4563.55 9/2/98	2848.77 2/1/97		
Wall Street's strong start plus a 4.7 per cent bounce for Metallgesellschaft drove shares to fresh peak.								
Greece	Athens SE	1509.21	1508.31	1464.12	1794.14 8/10/97	854.54 2/1/97	2.94	15.1
	FTSE/ASE 20	846.82	843.09	811.77	889.85 10/12/97	755.18 29/1/98		
Shares ended virtually all-square with gains among banks countering losses in the construction sectors.								
Hong Kong	Hang Seng	10853.67	10873.15	10485.86	16673.30 7/8/97	8121.06 12/1/98	3.65	10.1
	HSCC Red Chip	1684.27	1716.11	1516.62	4110.55 27/8/97	984.50 12/1/98		
Prices in balance as investors focused on the middle east crisis. Properties rallied, but China shares led the losers.								
Hungary	Bux	8269.97	8209.70	7937.21	8483.80 6/8/97	4291.30 6/1/97	na	na
Shares shook off initial profit-taking to end higher with OTP Bank in demand.								
India	BSE Sens.	3317.70	3348.35	3366.70	4548.02 5/8/97	3209.56 28/1/98		
	Crisil 500	600.68	605.38	608.43	843.28 5/8/97	594.38 29/1/98	na	na
Market drifted lower in dull volumes ahead of next week's start to the general elections.								
Indonesia	Jakarta Comp.	517.70	529.25	535.42	740.83 8/7/97	339.53 15/12/97	1.88	18.2
News of banking reforms boosted large banks. Falls in Telkom and Indosat pulled the index lower.								
Ireland	ISEQ Overall	4553.10	4545.04†	4537.74	4553.10 10/2/98	2725.07 2/1/97	1.93	21.5
Israel	Mishtanim 100	265.59	268.40	(c)	311.76 6/8/97	214.15 2/1/97	na	na
Teva Pharmaceutical ended higher but fell steeply in New York after a late profits warning hit the ADRs.								
Italy	BCI Comit 30	289.23	284.96	286.30	289.23 10/2/98	155.74 2/1/97	1.54	25.2
	Banca Com Ital	1233.35	1231.86	1223.18	1233.35 10/2/98	660.42 2/1/97		
	Mibtel General	19777.0	19521.0	19555.0	19777.00 10/2/98	10468.00 2/1/97		
Shares nudged record highs as Olivetti jumped 5.6 per cent.								
Japan	Nikkei 225	17205.09	17205.00	17040.06	20681.10 16/6/97	14664.40 12/1/98	0.88	43.1
	Nikkei 300	257.43	257.09	253.84	303.71 29/7/97	224.85 12/1/98		
	Topix	1300.30	1295.48	1278.11	1569.28 26/6/97	1120.81 12/1/98		
	2nd Section	1384.97	1369.50	1362.86	1848.28 30/6/97	1160.55 24/12/97		
Property shares rose on talk of possible government measures to boost the land market. Global blue chips were weak.								
Jordan	Amman SE	166.44	166.75	(c)	– –	– –	na	na
Malaysia	KLSE Comp.	742.57	727.40	728.19	1271.57 25/2/97	477.57 12/1/98	2.29	13.3
Strong ringgit inspired selective buying, but losers beat gainers by five to three.								
Mexico	IPC	4703.34	4687.53	4751.53	5369.48 21/10/97	3359.46 2/1/97	1.17	13.1
§Strong results from Telmex and the bumper start on Wall Street sent shares ahead.								
Morocco	CNSA	683.17	680.33	676.09	689.75 23/4/97	451.90 3/1/97	na	na
Netherlands	CBS TRtnGen	1136.6	1141.9	1136.6	1184.80 7/8/97	730.80 2/1/97	2.03	22.3
	CBS All Shr	651.6	654.6	651.8	684.40 7/8/97	429.89 2/1/97		
Doubts about the current results season kept sentiment in check and shares ended lower.								
New Zealand	Cap. 40	2253.21	2257.97	(c)	2636.48 22/10/97	2162.01 28/10/97	4	18.7
Leaders fell as small caps rose. Large trade in Wilson and Horton boosted volume.								
Nigeria	SE All-Share	6493.73	6464.61	6448.42	– –	– –	na	na
Norway	Oslo SE Ind	2043.30	2065.54	2068.51	2287.56 22/10/97	1609.03 2/1/97	1.65	14.3
Pakistan	Karachi SE	1740.02	1687.65	1678.04	2087.86 22/10/97	1341.31 7/1/97	na	na
Strong rise in telephone operator PTCL, ahead of its results later this month, led the market higher.								
Peru	Lima Gen	1689.96	1686.47	1690.34	2289.40 10/7/97	1429.70 2/1/97	na	na
Philippines	Manila Comp	2076.87	2050.69	2036.78	3447.80 3/2/97	1518.00 9/1/98	1.26	13.4
Interest rate cut and peso strength boosted shares. Gainers beat losers by nearly two to one.								
Poland	WIG	16655.4	16502.8	15931.4	18339.40 18/2/97	13228.80 12/1/98	0.74	15.6
Shares hit record highs for the seventh session running, although dealers reported signs of profit-taking.								
Portugal	BVL 30	4470.30	4528.96	4556.13	4602.04 5/2/98	2185.57 2/1/97	0.96	34.2
	PSI 20	10429.11	10562.88	10633.47	10736.00 5/2/98	5152.34 2/1/97		
Russia	RTS	302.68	307.71	304.04	571.66 6/10/97	213.38 6/1/97	na	na
Shares traded listlessly. Regional telecoms stocks were among firmer features, but volume stayed low.								
Singapore	SES All-S'pore	417.71	420.41	424.16	573.03 17/2/97	324.92 12/1/98	2.31	14.6
	Straits Times	1602.97	1543.72	1536.91	2271.88 20/1/97	1073.47 12/1/98		
Boosted by firm regional currencies. Singapore Airlines soared on hopes it will unify its local and foreign shares.								
Slovakia	SAX	156.86	153.98	156.27	208.64 21/3/97	153.98 9/2/98	na	na
South Africa	JSE Gold	863.9♥	867.7	887.1	1588.10 27/2/97	670.10 5/12/97	2.34	15.2
	JSE Indl.	7858.4♥	7832.2	7777.7	9314.20 7/8/97	6716.10 12/1/98		
Broad trend was downwards in spite of another strong day for financials.								
South Korea	KoreaCmpEx**	541.77	554.24	540.45	792.29 17/6/97	350.68 12/12/97	2.16	15.7
Keen foreign buying was overwhelmed by domestic selling as trade unions threatened an all-out labour strike.								
Spain	Madrid SE	706.75	703.78	713.83	713.83 6/2/98	434.54 2/1/97	2.09	24.2
Tone remained firm with shares reclaiming initial losses.								
Sri Lanka	CSE All Share	(c)	669.30	666.60	869.70 31/7/97	606.70 2/1/97	na	na
Closed for holiday								
Sweden	AffarsvarldnGen	(u)	3192.5	3183.5	3316.80 7/8/97	2378.50 2/1/97	1.83	23.1
Modest activity led to lacklustre trading ahead of today's results from market heavyweight, Astra.								
Switzerland	SMI Index	6960.8	6928.4	6857.1	6960.80 10/2/98	3922.90 7/1/97	1.03	26.2
	SPI General	4262.29	4244.20	4239.16	4262.29 10/2/98	2506.22 6/1/97		
Good demand for Novartis led the broad market higher.								
Taiwan	WeightedPr**	8567.66	8634.61	8544.14	10116.80 26/8/97	6844.75 6/1/97	1.12	23.8
Shares continued to ease back after last week's sharp gains. Electronics managed to rally against the trend.								
Thailand	Bangkok SET	524.52	530.50	535.98	858.97 22/1/97	339.17 12/1/98	4.13	14
Worries about results season due to begin next week discouraged investors. Market is closed today.								
Turkey	IMKB Nat 100	2777.08	2847.51	2966.57	3711.40 5/1/98	985.00 2/1/97	1.78	19.5
Shares continued to slide lower as worries about military action in Iraq hardened.								
Venezuela	IBC	7350.09	7447.43	7587.40	10817.10 17/10/97	6081.99 12/3/97	na	na
Zimbabwe	ZSE Industrial	8151.00	8108.66	8196.49	12082.00 5/8/97	6801.51 18/12/97	na	na
WORLD	FT/S&P World(S)	(u)	268.96	269.62	269.62 6/2/98	216.81 14/4/97	na	na
	MS Capital Intl$	998.0*	994.9	997.6	998.00 10/2/98	794.60 14/4/97	na	na
CROSS-BORDER	FTSE E300	1080.15	1079.19	1082.01	1082.01 6/2/98	874.08 28/10/97		
	FTSE E100	2491.19	2498.34	2500.31	2500.31 6/2/98	1582.99 2/1/97	na	na
	HSBC JC Drgn	(u)	259.26	252.60	404.83 6/8/97	189.25 12/1/98	na	na
	ING Brngs Emrg	145.46	144.95	144.40	196.81 9/7/97	125.19 12/1/98	na	na

** Sat Feb 7: Taiwan Weighted Price 8663.46; Korea Comp Ex 542.70. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ XETRA-DAX after-hours index: Feb 10 4558.62 +39.08. † Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ¶ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation. ✣ Yields and P/E ratios are based on Datastream Total Market Indices. § Midsession.

NASDAQ NATIONAL MARKET

4 pm close February 10

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]							

AMEX PRICES

4 pm close February 10

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

EASDAQ

EASDAQ is a fully regulated independent pan European Stock Market focused on high growth companies with international aspirations. The shares of companies on the EASDAQ Stock Market can be bought and sold through EASDAQ Members.

Company	Mid price	Change on day	Volume	High	Low	Company	Mid price	Change on day	Volume	High	Low
ActivCard	US$2.375		22640	8.125	2.25	Innogenetics	US$33.25		160365	35.375	9.875
Algol♦	ITL14800	-50	0	14900	12450	Integr. Sam. Syst.	DEM9.4	+0.4	0	12.1	6.8
Artwork Systems	US$7.875	-0.125	37680	11.125	5.875	Lernout & Hauspie	US$65	-3.25	46538	68.5	25
Chemunex♦	FFr11.5		29000	18	9	Memco	US$9.9375		115185	10.6875	7.1875
City Bird Holding	US$7.5	-0.4375	26190	8.25	6.6125	Mercer Intl♦	US$9		0	12.875	8
Debonair Holdings	GBP2.8		29700	7.15	2.55	NTL	US$31.25		0	32	20.5
Dr Solomon's	US$35.875		273	36.875	20.375	Option Int'l	US$19.375	+0.75	64360	19.75	10.375
EDAP TMS	US$5.4375	+0.0625	0	9.125	6.375	PixTech♦	US$3.75	-0.125	3260	6.125	2.125
ESAT Telecom	US$21.125	-0.9375	0	22.0625	13.25	Royal Olympic	US$15.25		0	16.25	15.25
Espace Prod. Int.	FFr90.7	-0.38	800	117	88.83	Schoeller-Bleckmann♦	Sch1455	-87	10220	1692	900
Esprit Telecom	US$13	+1.25	52192	13	4.875	Topcall Intl♦	Sch6793		125	6793	3065
Global TeleSystems	US$25.25	-1.25	3555	29.375	24.5	Turbodyne Technol ♦	US$3.15	-0.22	0	6.25	2.55
Gruppo Formula	ITL15100	-450	4000	23600	14250						

Prices for 10/2/98. Please note that mid prices are now used to calculate highs and lows. Information about EASDAQ can be found on the Web site at: HTTP://WWW.EASDAQ.be EASDAQ offices are located in Brussels (Tel: 32-2 / 227 65 20) and in London (Tel: 44-171 / 489 9900)
Annual/interim reports can be obtained for companies with a ♦ marked in this box. For further details please see London Share Service pages.

Records tumble as last Asia effects fade

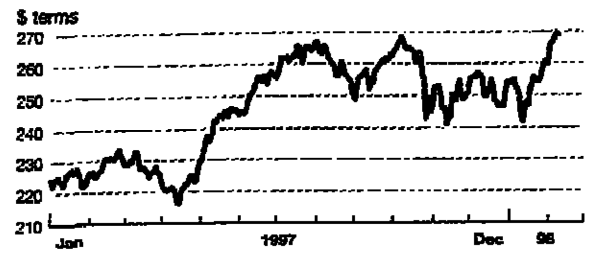
WORLD OVERVIEW

A surge in the Dow Jones Industrial Average to all-time record levels came late in the European trading day, *writes Philip Coggan*.

But the early gains on Wall Street reinforced the feeling that markets were shaking off the last effects of Asian-induced weakness in 1997's final quarter.

Many European markets have chalked up record peaks and the US's broader benchmark, the S&P 500 index, passed 1,000 for the first time last week. As the graph shows, the FT S&P World Index has also regained its peak.

FT/S&P World index



Source: Datastream/ICV

The US market received a lift yesterday from a bullish report by the Council of Economic Advisers that predicted the "Goldilocks economy" of low inflation and steady growth could continue for the foreseeable future.

Investors seem to have decided that the Asian crisis, while having adverse effects on individual companies, would not significantly dent either economic growth or overall corporate earnings.

A further sign of the recovery in confidence in Asia came with the sharp rebound in the Indonesian rupiah yesterday. Hints that Indonesia might adopt a currency board system prompted the rupiah to climb to Rp7,000 to the dollar; at the height of the crisis, it had traded as low as Rp16,500.

A currency board system would probably be effective in stabilising the rupiah, but might have some severe effects on the country's economy, as interest rates would rise sharply in times of stress. The Jakarta stock market duly gave the idea a rather lukewarm response.

Chris Carter, managing director, global equity strategy at UBS, says that two factors have been driving markets higher in recent weeks – the continuation of merger mania, inspired by the proposed Glaxo Wellcome-SmithKline Beecham deal, and a sense that currencies and stock markets have stabilised.

"But the markets are looking a bit overvalued and I would not anticipate any immediate further gains" he adds.

Longer term, Mark Brown, head of economics and strategy at ABN Amro, points out that, in the world's largest 11 economies, the gap between the return on capital and the cost of equity capital has been widening steadily in recent years.

Excess returns are now at their highest levels for the past 30 years, making it hardly surprising that equity markets have been strong.

However, he points out that the gap should converge in the long run. Companies should respond to high returns by increasing investment, bidding up the cost of capital and eventually, through greater competition, forcing down returns. When the gap does start to narrow, equity ratings should fall.

Rally takes US shares to new high

AMERICAS

A morning rally in US shares sent the Dow Jones Industrial Average above its all-time closing high and close to the 8,300 points level, *writes John Labate in New York*.

By 12:30pm the Dow had gained 108.12, a rise of 1.3 per cent, to 8,288.64. The broader Standard & Poor's 500 index was 9.98 higher at 1,020.72, also well above its record closing high.

The morning rally caught many in the market by surprise, as it was not tied to any single news or earnings event. By midday the blue-chip-based Dow had surged past its record closing high of 8,259 set on August 6 last year, but it hovered just below the market's intraday record high of 8,299 points.

As the earnings reporting season neared an end, many in the market appeared to focus on short-term issues, rather than long-term worries. "The important concerns such as Asia are still there, but not in the immediate cross-hairs," said Eric Miller, chief investment officer at Donaldson, Lufkin and Jenrette.

Airline stocks had another strong day. Southwest Airlines climbed $1 to $29 13/16 after the company said it would expand its discount fare programme. Alaska Air was also up $2 on the day to $52¾.

Hewlett-Packard and IBM were two of the three best performers among blue chips on the Dow. Hewlett had gained $1 13/16 to $63 3/16 while IBM was up by $3 1/16 to $101⅛.

Boeing was the Dow's best performer, up $1⅛ to $48 after the aircraft maker said it was considering European expansion plans.

The rally in computer stocks helped the Nasdaq composite index to rise19.89 or 1.18 per cent to 1,710.32. A closer barometer of tech shares, the Pacific Stock Exchange index, surged 7.13 or 2.3 per cent higher at 324.02.

Semiconductor manufactures were especially strong as Texas Instruments surged more than 6 per cent or $3½ higher to $57⅝. Altera shares were $2⅛ higher at $37⅞ after a rating upgrade by analysts at Alex Brown.

Smaller company shares also gained ground with the Russell 2,000 index climbing 4.25 to 451.53.

TORONTO advanced at midsession after Monday's pause and the TSE-300 composite index was 20.66 higher at 6,867.37 in volume of 41.5m shares.

Ten of the 14 sub-indices were in positive territory with the heavily weighted financial services sector up 0.5 per cent. Tempering the gains, golds and precious minerals dropped by 0.8 per cent and the transportation sector lost 0.7 per cent.

Canadian Imperial Bank of Commerce led activities with a rise of 40 cents to C$42.65.

Kinross Gold, which on Monday unveiled a merger with the US based Amex Gold, lost 10 cents to C$5.15.

Barrick Gold slipped 35 cents to C$28.45 after reporting higher fourth quarter profit in spite of the slump in bullion prices.

Telmex aids Mexico City

MEXICO CITY reversed an opening dip, taking heart as market heavyweight Telmex reported better-than-expected 1997 earnings. However, the IPC index failed to build on this early turnaround and was just 15.16 better at 4,712.69 at midsession.

Telmex gained 35 centavos to 22.15 pesos on the news. However, hopes that this would help giant conglomerate Carso, which has corporate links with Telmex, were dashed. Having initially risen, Carso dipped 60 centavos to 49.30 pesos.

SAO PAULO moved ahead in morning trade, helped by a positive start on Wall Street. The Bovespa index was 58 higher at 10,298 by midsession.

BUENOS AIRES moved sideways in directionless trade, with some investors taking profits after last week's rally. The Merval index was up 8.81 at 667.81.

CARACAS closed lower in moderate trading as investors took profits. The Merinvest Composite index closed at 85.26, down 0.82 points.

Paris, Frankfurt back at peaks

EUROPE

French equities ended a volatile session with **PARIS** at a record high.

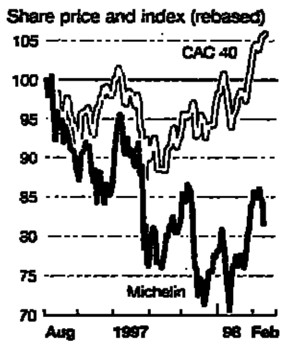
Helped by the strong start on Wall Street, the CAC 40 index shrugged off a dull day for the dollar and a severe shake-out at tyre giant Michelin to close up 14.82 at 3,235.76.

Cement leader Lafarge led the upturn, rising FFr17.70 or 4.4 per cent to FFr417.70 as cyclical stocks came in for attention. France Telecom bounced FFr10.10 to FFr281.60 following what was said to be positive comment from local brokers.

Michelin was the day's laggard, sliding FFr11.50 or 3.5 per cent to FFr316.50 following the overnight news from the US that arch rival Goodyear Tire planned a five-year programme of aggressive expansion.

Among smaller caps, Eurotunnel jumped 45 centimes or 7.4 per cent to FFr6.55 in 6.6m shares traded.

Michelin



Source: Datastream/ICV

FRANKFURT finished late electronic trade at a record high as the Dow's advance inspired the German market to climb out of the narrow trading range that had held prices back for much of the day. The Xetra Dax index climbed 39.06 at 4,558.62.

Metallgesellschaft climbed DM1.73 or 4.7 per cent to DM38.20 – its highest level since late October – as Deutsche Morgan Grenfell and HSBC both raised their recommendations on the stock after Monday's first quarter results.

BMW picked up DM40 to DM1,531 as Lehman Brothers raised its price target from DM1,650 to DM1,900 and reaffirmed its outperform rating.

Mannesman, the engineering group, gave up DM16.50 to DM1,001 after Morgan Stanley removed the stock from its "European fresh money buy list". Henkel, the speciality chemicals group which replaced it, rose DM2.90 to DM112.10.

FTSE Actuaries Share Indices — European series

February 10 National & Regional Markets	Ecu Index	Day's %	change points	Yield gross %	xd adj ytd	Total retn (Ecu)
FTSE Eurotop 300	1080.15	+0.09	+0.95	2.10	0.50	1089.02
FTSE Eurotop 100	2491.19	–0.29	–7.15	–	–	–
FTSE Eurotop 300 Regions						
300 UK	1087.85	–0.27	–2.95	2.96	0.80	1106.95
300 Ex-UK	1076.40	+0.30	+3.18	1.61	0.33	1079.48
300 Eurobloc	1047.44	+0.29	+3.01	1.83	0.50	1051.91
300 Ex-Eurobloc	1106.21	–0.05	–0.52	2.28	0.50	1118.37
FTSE Eurotop 300 Economic Groups						
Resources	923.05	–1.08	–10.03	2.98	0.50	936.41
General Industries	976.23	+0.20	+1.93	2.00	0.36	978.94
Consumer Goods	1128.49	+0.37	+4.17	1.61	0.13	1140.81
Services	1026.04	+0.07	+0.74	2.25	1.14	1035.18
Utilities	1144.68	–0.08	–0.86	2.50	1.84	1160.29
Financials	1185.76	+0.24	+2.87	2.00	0.14	1192.82

Base value 1000. More information on http://www.ftse.com. 'FTSE' and 'Footsie' are registered trade marks of the London Stock Exchange and The Financial Times. 'Eurotop' is a registered trade mark of the Amsterdam Stock Exchange. FTSE Eurotop Indices are compiled by FTSE International. © FTSE International Limited 1998. All rights reserved.

ZURICH clambered back into uncharted territory as merger mania, which has driven the market's rally in recent weeks, turned its attention to the mid-cap sector. The SMI index rose 32.4 to close at a record 6,860.8.

Kuoni, the travel agent, jumped SFr220 or 4.2 per cent to SFr5,480, off a high of SFr5,550, on rumours that TUI, a large European participant in the travel business, planned a takeover.

Among the pharmaceuticals, Novartis rebounded after Monday's pull-back as Société Générale said it maintained its outperform rating and believed that the short and medium term outlook for the stock was outstanding. The shares jumped SFr45 to 2,551.

Baloise, the second tier insurer maintained its volatile reputation with a SFr68 jump to SFr2,996 on speculation about more financial sector consolidation.

MILAN experienced another day of merger fever in the banking sector as investors rushed to place their bets in the hope of a flood of deals.

Rumours about a three-way tie-up between BCI, Credito Italiano and Banca di Roma helped all three stocks. Most interest was focused on BCI, which gained L476 to L8,490, boosted also by news that insurer Generali had asked the central bank for permission to raise its stake to 15 per cent. Banca di Roma gained L83 to L2,480, while Credito Italiano was L14 better at L6,665.

The excitement also touched Banca Popolare Commercio e Industria, which soared L2,505 to L35,700 following a report that it had received an approach from Commerzbank of Germany. BPCI denied the report.

Mediobanca climbed L1,241 to an all-time closing high of L19,400 as the market wagered that the group would use part of a capital increase, to be announced tomorrow, to fund a merger with a bank or insurer.

The Mibtel index gained 256 to close at an all-time high of 19,777.

AMSTERDAM moved lower as the results season dominated sentiment. Philips, Royal Dutch and KLM all lost ground and the AEX ended off 3.85 at 970.12.

Philips, which reports annual figures tomorrow, came off Fl 1 at Fl 134.50. Royal Dutch was hit by disappointment elsewhere in the oil business. Heavy results-driven selling at British Petroleum spilled over to the Dutch leader, which shed Fl 1.40 at Fl 107.40 in advance of tomorrow's results.

Unilever's results were unexciting while broad hints from the analysts' presentation that share buy-back hopes were wide of the mark also dented sentiment. The shares, which touched a session low of Fl 122.70, ended all-square at Fl 124.60.

WARSAW ended higher for a seventh-consecutive session, extending its rise over the past fortnight to more than 20 per cent. The Wig index ended 52.6 higher at 16,655.4.

Market newcomer Prokom Software enjoyed a spectacular first day's trading, ending more than 40 per cent above the offer price at 107 zlotys.

Written and edited by Michael Morgan, Jeffrey Brown, Jonathan Ford and Paul Gregan.

SOUTH AFRICA

Johannesburg closed flat as losses in gold and heavyweight miners balanced a recovery in industrials.

The overall index, consolidating after its 19 per cent surge since last month, finished 0.3 down at 6,664.3. Industrials picked up 26.2 at 7,858.4 and golds finished 3.8 lower at 863.9.

Financials closed at a fourth consecutive record high as Stanbic added 1.3 per cent ahead of results.

EMERGING MARKET FOCUS

Croat hopes for future revived

A nine per cent surge in the Zagreb stock market last week has revived the spirits of investors in Croatia.

"We have the best fundamentals in central and eastern Europe, after Poland and Hungary, but the Croatian market perhaps has the greatest potential," says Zeljko Kardum, spokesman for the Zagreb Stock Exchange.

Liquidity is a major problem. Only five companies have a first-category listing. Last month 30 companies were delisted from the second category, leaving about 45 quoted. Foreign investors account for about 60 per cent of trading.

Pliva, a pharmaceuticals company, and Zagrebacka banka made up about 60 per cent of total market capitalisation – 26.76bn kunas ($4.2bn) at the end of 1997. Both have GDRs listed in London and are trading on a price-earnings ratio of less than 20. Zagrebacka's share price rose 211 per cent in 1997, while Pliva gained 39 per cent.

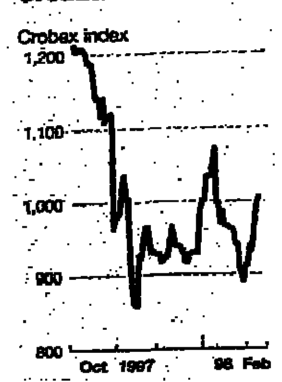
The exchange introduced its Crobex index in September, set at 1,000. It rose to around 1,200, fell to 850 on the Asian crisis and closed yesterday at 1,003.2, up 0.56 per cent on the day.

Michael Glazer, director of Auchtor Securities, a US-affiliated brokerage, said: "Zagreb is gradually becoming more of a standard market. There is a lot of interest in Croatia this year as investors look for alternatives to Asia and Russia. The government is serious about opening the economy to foreign investors. Last year, acts did not live up to words."

Drazen Kalogjera, a former economics minister, says Croatia has a set of "impressive" indicators.

Inflation in 1997 was 4.9 per cent, the budget deficit was within the Maastricht criteria, the kuna was stable and the central bank's foreign exchange reserves amounted to $2.6bn. GDP grew by around 4.4 per cent with an official forecast, perhaps overly optimistic, of 6 per cent growth for 1998.

Croatia



Source: Datastream/ICV

But there are also worrying signs of inherent weaknesses similar to the factors behind the Asian crisis.

The government denies it intends to devalue the kuna, although exports are stagnant, leading to a $4.7bn trade deficit in 1997 and a balance of payments deficit of around $2bn. Unemployment is around 18 per cent and over 100,000 state sector workers are owed wages.

Industry has regained the level of 1990, before the break-up of Yugoslavia, but the rate of investment is less than depreciation. The economy lacks transparency and rehabilitation of unhealthy banks is slow.

"Our privatisation process is full of criminals, bribery and fraud," says Mr Kalogjera. Nearly 70 per cent of capital assets are under state control.

The dominance of the ruling Croatian Democratic Union (HDZ) depends largely on President Franjo Tudjman. He is 75 and believed to have cancer. But diplomats believe Croatia's fitful progress towards integration with Europe will continue.

Guy Dinmore

Share mergers lift Singapore

ASIA PACIFIC

An afternoon rally in regional currencies sent **SINGAPORE** soaring. The Straits Times Industrials index notched up a rise of 59.25 or 3.8 per cent to 1,602.97, up almost 50 per cent since its low for the year in mid-January.

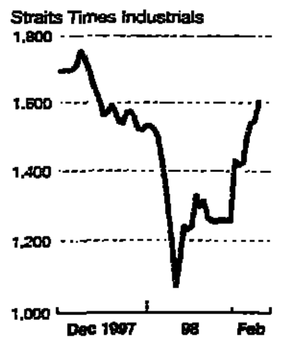
Newspaper group SPH led the way up, hitting a high of S$19.70 on news that it was merging its foreign and local share tranches. The local shares ended at S$19.20, up S$1, while the foreign tranche ended S$1.90 higher at S$23.50.

One analyst said funds were moving into the stock on speculation its weighting in the Morgan Stanley Capital International index might be increased.

Another major mover was Singapore Airlines, which rose 55 cents to S$8.60. The company is seen as the most likely candidate to merge its foreign and local shares next.

TOKYO ended little changed after a day of good volume with losses among leading blue chips countered by solid demand for financials and smaller caps.

Singapore



Source: Datastream/ICV

The Nikkei 225 Average closed up 0.09 at 17,205.09, having traded within a range of 17,161.74 to 17,256.24. At 808m shares, volume was the heaviest since late January.

Global blue chips lost ground, not helped by a profits warning from electronics and chips giant company Hitachi, but there was said to be plenty of support elsewhere.

A 4.82 gain to 1,300.30 for the Topix index of all first-section shares reflected this trend. Rising shares led declines by 888 to 292.

Financials headed the sector performance charts. Talk of the use of public funds to help activate the land market underpinned property stocks. Mitsubishi Estate rose to Y1,550 before settling at Y1,520, up Y10.

Hitachi's warning sent the shares down Y10 to Y1,010. The company forecast a 30 per cent drop in operating profits for the year.

SEOUL shares lost more than 2 per cent after a leading trade union threatened to strike over measures proposed last week to improve labour market flexibility.

The Korean Confederation of Trade Unions said it had rejected an agreement negotiated between the government, employers and trade unions that would make lay-offs easier.

The news encouraged local investors to take profits on concerns that the union's actions would slow down the process of corporate restructuring. However, good two-way trade was maintained as foreign investors continued to pick up Korean stocks. The composite index closed 12.47 lower at 541.77.

Strong buying was seen in Samsung Heavy Industries on talk that Swedish carmaker Volvo was stalking the group. Although Samsung denied any talks with Volvo, the shares ended Won520 higher at Won7,100.

JAKARTA was lower on falls in index heavyweights Telkom and Indosat, but the market was otherwise bullish on a rise in the rupiah and news of new banking regulations.

The composite index closed down 11.55 or 2.2 per cent at 517. 70.

Telkom tumbled Rp550 or 12.3 per cent to Rp3,750 and Indosat dived Rp4,050 or 24.5 per cent to Rp12,500 on arbitrage trade as investors took advantage of the rise of the rupiah against the dollar. Both stocks are also listed in New York and London.

Large banks surged on reforms to reduce the number of banks by increasing paid-up capital requirements. Bank Internasional jumped Rp125 to Rp675 with 55m shares traded.

KUALA LUMPUR was boosted by a sharply rising currency, as the ringgit gained almost 10 per cent against the dollar in local trade. This breathed life into a listless market and the composite index ended 15.17 higher at 742.47.